



Octa Markets Cyprus Ltd

Regulated by the Cyprus Securities and Exchange Commission License no. 372/18

PUBLIC DISCLOSURES REPORT FOR 2022

April 2023

DISCLOSURE

*The Public Disclosures Report for the year 2022 has been prepared by **Octa Markets Cyprus Ltd** as per the requirements of Regulation (EU) No. 2019/2033 and Delegated Regulation (EU) 2021/2153 issued by the European Commission and Law 165 (I) / 2021 issued by the Cyprus Securities and Exchange Commission (hereinafter, “CySEC”).*

Octa Markets Cyprus Ltd (hereinafter, the “Company”) states that any information that was not included in this report is 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.

*Octa Markets Cyprus Ltd is regulated by CySEC under License number **372/18**.*

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1. INTRODUCTION

1.1 INVESTMENT FIRM

Table 1: Company information

General Information:	
Company name	Octa Markets Cyprus Limited
CIF Authorization date	10/12/2018
CIF License number	372/18
Company Registration Date	13/09/2016
Company Registration Number	HE 359992
Legal Entity Identifier code (LEI)	2138004G54OD2XQM6182
Investment Service:	
1) Reception and transmission of orders in relation to one or more financial instruments; 2) Execution of Orders on Behalf of Clients; and 3) Dealing on Own Account.	
Ancillary Services:	
1) Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management; and 2) Foreign exchange services where these are connected to the provision of investment services.	
Financial Instruments:	
1) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash; and 2) Financial contracts for differences (CFDs).	

1.2 PURPOSE



The present report is prepared by Octa Markets Cyprus Ltd a Cyprus Investment Firm (hereinafter, “CIF”, “Company” or “Octa”) authorized and regulated by CySEC under the license number 372/18 and operates in harmonization with the Markets in Financial Instruments Directive II (hereinafter, “MiFID II”).

In accordance with Part Six of Regulation (EU) No. 2019/2033 (the “Investment Firms Regulation”, hereinafter “IFR”), the Company is required, as it is categorised as a Class 2 investment firm, to disclose information relating to its risk management objectives and policies, governance, level of own funds and own funds requirements, remuneration policy and practices, investment policy (if applicable) and environmental, social and governance risks (if applicable).

The scope of this report is to promote market discipline and to improve transparency of market participants.

The 2022 Public Disclosures Report has been prepared based on the relevant requirements in accordance with Part Six of the IFR and in particular articles 46 to 53, as applicable to the Company.

In order to meet the requirements of the IFR, the Board of Directors (“BoD”) and the Senior Management have the overall responsibility for the internal control systems in the process of the “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 BoD, Internal Auditor, Risk Manager, Compliance Officer, 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 information contained in the Public Disclosures Report is to be audited by the Company’s external auditors and published on its website (<https://www.octafx.eu/company/legal-agreements/>) on an annual basis. Moreover, the Company is obliged to provide a copy of the external auditor’s verification report to CySEC within 5 months after the end of each financial year.

The information disclosed in this report is related to the year ended 31st December 2022 (based on unaudited management accounts). The Company has prepared this report on a solo basis as it is a standalone entity.

1.3 REGULATORY (PRUDENTIAL) FRAMEWORK

In accordance with Regulation (EU) No. 2019/2033 (the “Investment Firms Regulation”, “IFR”) and Regulation (EU) No. 2019/2034 (“Investment Firms Directive”, “IFD”), introduced in 2019 (which replaces the Regulation (EU) 575/2013 (the “Capital Requirements Regulation”, “CRR”), Octa Markets Cyprus Ltd (“the Company” or “Octa”) is obliged to disclose information regarding its risk management, capital structure, capital adequacy, its risk exposures as well as the most important characteristics of the Company’s corporate governance, including its remuneration system. The core aim of the IFR is to introduce more proportionate rules for all MiFID II investment firms in relation to capital, liquidity and other risk management requirements, while ensuring a level-playing field between large and systemic financial institutions.

Unlike the CRR, (which mainly captures credit institutions risks), the IFR aims at considering specific risks that are applicable only to investment firms, depending on their business model and size. The new IFR categorizes IFs into three categories depending on their business activities, systemic importance, size, and interconnectedness.

Each IF class will be subject to a different set of prudential requirements, with some systematically important and larger firms remaining under the current Basel-derived CRR/CRD regime. In particular, IFs are now categorized into the following classes:

- **Class 1 IFs (remain subject to CRR and CRD):** Large IFs that exceed certain criteria and need to be reclassified as credit institutions, plus:
 - **Class 1a:** Not reclassified as credit institutions, but above certain criteria and/or are categorized Systemically important IFs to the country (“O-SIIs”) and subject to CRR.
 - **Class 1b:** Not-Systemic Large IFs, but which elect to be subject to the CRR (if they are part of a group containing a bank that is subject to consolidated supervision under CRR).
- **Class 2 IFs (subject to new IFR/IFD):** IFs exceeding the categorization thresholds for Small and Non-interconnected Investment Firms.
- **Class 3 IFs (subject to new IFR/IFD, BUT with exemptions):** Small and Non-interconnected Investment Firms.

Octa falls into the Class 2 category and is subject to the new IFR/IFD framework. The new **minimum regulatory capital requirement** for Octa will be the greatest of:

- A **Permanent Minimum Capital Requirement of EUR 750,000;**
- A **Fixed Overhead Requirement at 25% of the firm’s fixed overheads** in the previous year; and
- A **K-factors Requirement**, which is based upon nine risk exposure indicators (“K-factors”) which are designed to measure operational risk to customers, counterparty credit risk, trading book market risk, and concentration risk (in the trading book and securities financing type of transactions including REPOs).

Under the new regulatory framework, the notion of pillars (Pillar I, Pillar 2 and Pillar III) that was broadly used under the CRR has been removed. However, similarly to the CRR, the IFR regulatory framework is comprised of three main areas:

- (i) **Minimum Own Funds Requirement:** covers the calculation of the minimum capital needed to be allocated depending on the IF's class categorization (i.e., calculation of Fixed Overhead Requirement, Permanent Minimum Capital requirement or k-factors requirement) and liquidity requirements.
- (ii) **Internal Capital and Risk Assessment Process (ICARA):** covers the Supervisory Review and Evaluation Process ("SREP"), which assesses the Internal Capital and Risk Assessment Process ("ICARA") and provides for the monitoring and self-assessment of the Company's capital and liquidity adequacy and internal processes; and
- (iii) **Public Disclosures:** covers external/public disclosures that are designed to provide transparent information on regulatory capital and liquidity adequacy, own funds requirements, risk management objectives and policies, internal governance arrangements, remuneration policy and practices, investment policy (if applicable) and environment, social and governance risks (if applicable).

1.4 RUSSIAN'S WAR AGAINST UKRAINE: OVERVIEW OF EU & US SANCTIONS

On 24th February 2022, Russia launched an undeclared war against Ukraine, a country Russia first invaded and partially occupied in 2014.

EU Sanctions:

As a result, the EU has imposed a series of new sanctions against Russia in response to the military aggression against Ukraine. The sanctions add to existing measures imposed on Russia since 2014 following the annexation of Crimea and the non-implementation of the Minsk agreements. The EU Sanctions include targeted restrictive measures (individual sanctions), economic sanctions and visa measures.

The aim of the economic sanctions is to impose severe consequences on Russia for its actions and to effectively prevent Russian abilities to continue the aggression.

The individual sanctions target people responsible for supporting, financing or implementing actions which undermine the territorial integrity, sovereignty and independence of Ukraine or who benefit from these actions.

The EU has also adopted sanctions against:

- Belarus, in response to its involvement in the invasion of Ukraine; and

- Iran, in relation to the use of Iranian drones in the Russian aggression against Ukraine.

U.S. Sanctions:

Prior to 2022, the United States had imposed sanctions on Russia in response to Moscow's 2014 invasion of Ukraine and other malign activities. Beginning in December 2021, the United States and others warned Russia's leadership that a new attack on Ukraine would lead to severe new sanctions (in addition to increased security assistance to Ukraine and an enhanced NATO presence in Central and Eastern Europe).

Sanctions designations and related actions the Biden Administration and Congress have taken since February 2022 include actions targeting Russian government assets, international trade, broad economic sectors, and specific individuals and entities.

The Management has evaluated the effect of the war on liquidity, currency, interest rate, and credit risks, as well as potential impairment and revenue of the Company. Based on management's assessment, there is no significant impact on the Company's activities.

2. CORPORATE GOVERNANCE

2.1 BOARD OF DIRECTORS

The Board of Directors, as at 31.12.2022, consists of five (5) members. Two (2) Executive Directors, one (1) Non-Executive Director and two (2) Non-Executive and Independent Directors.

The members of the BoD exercise effective control on the company's affairs and the non-executive members of the BoD exercise control over the business carried out by the executive members of the BoD.

The main responsibilities of the Board of Directors are:

- To establish, implement and maintain decision-making procedures and an organizational structure which clearly and in documented manner specifies reporting lines and allocates functions and responsibilities.
- To ensure that its relevant persons are aware of the procedures that must be followed for the proper discharge of their responsibilities.
- To establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the Company.
- To employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.
- To establish, implement and maintain effective internal reporting and communication information at all relevant levels of the Company.
- To maintain adequate and orderly records of its business and internal organization,

- To ensure that the performance of multiple functions by its relevant persons does not and is no likely to prevent those persons from discharging any function soundly, honestly, and professionally.

Furthermore, the BoD is responsible for establishing and amending the internal control procedures, where necessary. It also ensures that the Company has sufficient human and technical resources required for the performance of its duties.

The Chairman of the BoD is responsible for the proper running of the BoD and should ensure that all the issues on the agenda are sufficiently supported by relevant information. The Chairman also ensures that all directors are suitably informed on issues that arise during BoD meetings.

At the compliance with the abovementioned requirements, the Company considers the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business.

2.2 RECRUITMENT POLICY

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the BoD and ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the BoD. The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities. Factors considered in the review of potential candidates include:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject.
- Knowledge of and experience with financial institutions ("fit-and-proper").
- Integrity, honesty, and the ability to generate public confidence.
- Knowledge of financial matters including understanding financial statements and financial ratios.
- Demonstrated sound business judgment.
- Risk management experience.

2.3 NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors consists of five (5) members. Two (2) Executive Directors, one (1) Non-Executive Director and two (2) Non-Executive and Independent Directors. The table below

provides the number of directorships the members of the Board of the Company hold at the same time in entities other than the Company. Directorships held within the same group of companies are considered as a single directorship. In addition, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not considered for the purposes of the below.

Table 2: Board of Directors as at 31.12.2022

Name of Director	Executive Director/ Independent Non-Executive Director	Number of Executive Directorships in other entities	Number of Non-Executive Directorships in other entities
<i>George Pantzis</i>	Executive Director	0	0
<i>Nikolas Charalampous</i>	Executive Director	0	0
<i>George Xydas</i>	Independent Non-Executive Director	3	3
<i>Dimitris Christou</i>	Independent Non-Executive Director	0	0
<i>Pavel Prozorov</i>	Non-Executive Director	13	2

Note: The information in this table is based only on representations made by the Company.

2.4 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 the Company does 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 practices 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.

2.5 TRAINING

During 2022, the Company's employees and directors, including the Risk Manager, attended a number of training seminars, presented by external organisations, covering the following areas: (i) AML Compliance; (ii) MiFID II Compliance; (ii) GDPR; (iv) Director's Development Programme for Regulated Financial Entities; (v) Cryptocurrencies; and (vi) Risk Management.

2.6 INFORMATION OF FLOW ON RISK TO MANAGEMENT BODY

In line with the requirements set out in the Law and subsequent Directives, the Company has been able to maintain a good information flow on risk to the management body.

Report Name	Owner	Recipient	Frequency
Annual Risk Management Report	Risk Manager	BoD, CySEC	Annual
Internal Monthly Capital Adequacy Ratio (“CAR”) monitoring	Risk Manager	BoD	Monthly
Form 165-01 (IFR Report)	Risk Manager	Board, CySEC	Quarterly
Public Disclosures Report	Risk Manager	BoD, Public	Annual
Public Disclosures External Auditor’s Verification Report	External Auditor	BoD, CySEC	Annual
ICARA Report	Risk Manager	BoD	Annual
Prudential Supervision Information Form (Form 165-03)	Risk Manager, Finance Department	BoD, CySEC	Annual
Recovery Plan & Form 20-01	Risk Manager	BoD, CySEC	Every two years
Annual Compliance Report	Compliance Officer	BoD, CySEC	Annual
Annual Internal Audit Report	Internal Auditor	BoD, CySEC	Annual
Annual Anti-Money Laundering Report	Anti-Money Laundering Compliance Officer	BoD, CySEC	Annual
Financial Reporting	External Auditor	BoD, CySEC	Annual

3. RISK MANAGEMENT

3.1 RISK MANAGEMENT FRAMEWORK

The Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company’s activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.


The key stakeholders to the Company’s risk management framework are the:

- Board of Directors;
- Risk Management Committee;
- Risk Manager;
- Internal Auditor;
- Compliance Officer; and
- Anti-Money Laundering Compliance Officer (“AMLCO”).

The Company envisages a risk management framework that is founded on the following principles:

- The Company's risk-taking strategy shall ensure that adequate risk management policies and procedures are established, implemented and maintained in such a way that the level of risk undertaken by the Company can be effectively tolerated. The risk tolerance determines the amount of risk in both qualitative and quantitative terms that the Company is willing to accept. The abovementioned policies and procedures shall be documented and subject to periodic review and adjustment in accordance with the Company's risk profile and appetite, as well as internal and external norms and best industry practices.
- Processes and systems necessary for ensuring effective and efficient operations, adequate control of risks, and prudent conduct of business, accurate internal and external disclosures, as well as compliance with internal and external rules shall be in place.
- The Company's risk-taking strategy shall ensure the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing and preservation of confidential information. Clearly defined roles and responsibilities shall exist while independence between risk management functions and position/risk taking functions shall be ensured at all cases.
- The Company's risk-taking strategy shall at all times ensure the determination, evaluation and efficient management of the risks inherent in the provision of the investment services.
- The Company's strategic planning and capital management shall be based on the Company's risk-taking appetite and the shareholder return objectives as well as risk adjusted business line performance.
- The Company's operating model shall aim at the standardization and integration of policies and processes, supporting the improvement of operational competence and the efficient mitigation of operational risks. Adequate, reliable and automated reporting must support the implementation of the operating model. In addition, it shall be ensured that the Company's IT strategy is in line with the operating model at all classes.
- All new investment activities shall be subject to adequate procedures and controls prior to their introduction, allowing for proper and independent identification of all inherent risks in line with the Company's risk criteria and limits.
- The Company's personnel shall be properly trained in order to be aware of the Company's risk-related issues, understand their responsibilities regarding the management of those risks and have the adequate skills for their management.

3.2 RISK MANAGEMENT DEPARTMENT



The Company's Risk Management Framework (including the Risk Management Policy, Capital Management Policy and Internal Risk Limits Policy) was formed with the view to ensure the sufficient identification, measurement and 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 Management Department and the Risk Management Committee. In addition, 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 Management Department shall be responsible for the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing, and preservation of confidential information. The Risk Management Department is also responsible for the determination, evaluation, and efficient management of the risks inherent in the provision of the investment services.

In accordance with the Company's Organisational Structure, the Risk Management Department of the Company comprises of:

1. Head of the Risk Management Department

Mr. George Pantzis, Executive Director, Risk Manager, part of "Four Eyes", Secretary of the Risk Management Committee, based in Cyprus

2. Risk Management Support

MNK Risk Consulting Ltd, based in Cyprus

3. Risk Management Committee

- a. Mr. George Pantzis, Executive Director, Risk Manager, part of "Four Eyes", Secretary of the Risk Management Committee, based in Cyprus;
- b. Mr. George Xydias, Independent, Non-Executive Director, based in Cyprus; and
- c. Mr. Dimitris Christou, Independent, Non-Executive Director, based in Cyprus.

3.3 INTERNAL AUDIT

The Internal Audit function is separate and independent from the other functions and activities of the Company. The Internal Audit Department function is outsourced to Royal Pine & Associates Ltd, which is reporting directly to the BoD.

The Internal Audit function has the following responsibilities:

- Establish, implement, and maintain an internal audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements.
- Issue recommendations based on the result of work carried out in accordance with the previous point.
- Verify compliance with the recommendations of the previous point.
- Report in relation to internal audit matters to Senior Management and the Board of Directors, at least annually; and
- Provide an annual written report to the Senior Management and the BoD incorporating the Internal Auditor's performance (i.e., whether remedial measures have been taken in the event of any deficiencies), to be submitted to CySEC by the end of April each year.
- Additional information, duties and responsibilities of the Internal Auditor can be found in the Company's IOM.

3.4 COMPLIANCE

The Compliance function is performed independently. The Company employs, on a full-time basis, a Compliance Officer. The Compliance function is reportable only to the BoD, which ensures that the Compliance Officer and other compliance staff act independently when performing their tasks. The Compliance Officer is appointed and replaced by the BoD. The role of the Compliance Officer is to ensure compliance with the current and any new laws, regulations and directives issued by CySEC.

The duties and responsibilities of the Compliance Officer are summarized below:

- Ensure that the Company maintains at all times full compliance with the legal framework (national and international laws) applicable for Cyprus Investment Firms ("CIFs");
- Ensure the implementation of the procedures as described in the Company's IOM;
- Monitor and assess those adequate policies and procedures, to detect any risk of failure by the Company to comply with its obligations under the Law, as well as any associated risks, have been established, implemented, and maintained;
- Continuously improve the existing control procedures;

- Communicate with the employees of any updated copies of the IOM, internal regulations and of any further instructions and rules, that relates to their role and responsibilities in the Company;
- Ensure that the Company's personnel attends training sessions on compliance with applicable laws, rules, and regulations;
- Provide advice and guidance to the Company's employees;
- Ensure that the Company complies with its continuous obligations to CySEC;
- Communicate with the regulatory bodies;
- Assist the regulatory bodies in performing inspections of the Company's activities;
- Recommend, in case of detection of any weakness or failure by the firm to comply with its obligations under the Law, specific remedial measures; and
- Provide an annual written report to the Senior Management and the BoD incorporating the Compliance Officer's performance (i.e., whether remedial measures have been taken in the event of any deficiencies), to be submitted to CySEC by the end of April each year.

3.5 ANTI-MONEY LAUNDERING

Money Laundering is defined as the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities, whereas terrorist financing refers to activities that provides financing or financial support to individual terrorists or terrorist groups. The role of the Anti- Money Laundering Compliance Officer ("AMLCO") is to ensure the Company's compliance with the laws and directives issued by CySEC regarding money laundering and terrorist financing issues. Note that the Company employs a full-time employee for the position of the AMLCO.

The duties and responsibilities of the AMLCO are summarized below:

- Ensure compliance with anti-money laundering laws and directives issued by CySEC as well as the identification and proper reporting of any money laundering activity to the relevant authorities;
- Ensure the implementation of the "know your client" procedures of the Company;
- Design the internal practices, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing, and describe and explicitly allocate the appropriateness and the limits of responsibility of each department that is involved in the abovementioned;
- Develop and establish the Customer Acceptance Policy and submits it to the BoD for consideration and approval;
- Submit, where deemed necessary, an "Internal Evaluation Report on Suspicious Transactions", to the Anti-Money Laundering Unit ("MOKAS") via the GoAML portal;
- Prepare the Company's risk management and procedures manual regarding the prevention of money laundering and terrorist financing;

- Ensure that the Company prepares and maintains lists of customers classified on a risk basis approach, as defined in the CySEC Directive, which should contain, among other data, the names of customers, their account number, and the date of the commencement of business relationship;
- Provide advice and guidance to other employees of the Company on the correct implementation of procedures and controls against money laundering and terrorist financing;
- Prepare and apply an annual staff training program. Additionally, the AMLCO shall maintain full records of the seminars and other training offered to the Company's employees and assesses the adequacy of the training and education provided;
- Correctly prepare and timely submit to the CySEC the monthly prevention statement and provide the necessary explanation to the appropriate employees of the Company for its completion; and
- Provide an annual written report to the Senior Management and the BoD incorporating the AMLCO's performance (i.e., whether remedial measures have been taken in the event of any deficiencies), to be submitted to CySEC by the end of March each year.

3.6 RISK MANAGEMENT COMMITTEE

The Risk Management Committee (hereafter, the "RMC") will aim at ensuring the efficient risk management which is considered essential for the provision of investment services to Clients, as well as the risks underlying the operation of the investment firm. The RMC also bears the responsibility to monitor the adequacy and effectiveness of the risk management policies and procedures that are in place.

Members of the risk committee must have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company.

The Risk Management Committee meets at least semi-annually, unless 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. During the year of 2022, the Risk Management Committee has met 4 times.

The duties and responsibilities of the Risk Management Committee include:

- Scrutinize and decide on the risks associated with the Company's operation, with the scope of: (i) increasing awareness; (ii) formulating internal policies; (iii) measuring the performance of the said policies, and (iv) dealing with such risks;
- Develop and integrate an internal risk management framework in line with the Company's decision-making process;

- Quality and financial analysis of the Company's Clients when opening a new Client account and classification of Clients according to Company's risk criteria and limits. Maintaining relevant record. Monitoring, periodic review and updating of Credit assessment;
- Reviewing the capital adequacy and the exposures of the Company;
- Assessment of the risk involved in potential new investment services and/or Financial Instruments, and preparation of a report to be reviewed and approved by the Risk Management Committee and the BoD.

3.7 RISK APPETITE STATEMENT

Risk appetite is the level of risk that the Company is willing to take in order to achieve 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, credit, market, operational, business, reputational, legal and compliance and data security/IT 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 BoD and management confidence to avoid risks that are not in line with the strategic objectives.

The BoD has approved the following Risk Appetite Statement decided by the Management:

The Company's risk appetite is determined by its BoD, following the recommendations of the Risk Manager and considering 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.

In order to ensure coherence between the Company's strategic considerations as regards risk taking and the day-to-day decisions, Management reviews and when deemed necessary updates the Company's risk appetite statement.

The following are the main risk appetite statements as determined by the amended Capital Management Policy, which are applicable across all of the Company's activities:

- *The CET-1 capital of the Company and capital ratios shall always exceed the following **internal limits** described in the Company's Capital Management Policy and as tabulated below:*

Table 3: Regulatory and Internal Limits included in Capital Management Policy and Risk Appetite Statement

A	B	C	D
Regulatory Capital Ratios	Regulatory % of Own Funds Requirement (OFR)	Regulatory Limits	Internal Limits
Min. Initial Capital Requirement	EUR 750k	CET1 must at all times be higher than (i) EUR 750k and (ii) ratios shown in column B	EUR 850k
Fixed Overhead Requirement	25% of total FOH of previous year		25% of total FOH of previous year
CET1	56%		61%
Tier 1	75%		80%
Total	100%		105%

- In case, the CET-1 Capital or capital ratios fall below the internal limits tabulated in Column D above, the Company should follow the escalation procedures as described in its Capital Management Policy and immediately inform the Management of the Company.
- In case, the CET-1 Capital or capital ratios fall below the regulatory limits tabulated in Column B above, the Company should follow the escalation procedures as described in its Capital Management Policy and immediately notify CySEC.
- The Company has zero tolerance in regard to regulatory non-compliance, including regulatory client leverage limits. Therefore, all departments are required to operate at all times in compliance with respective regulatory requirements, relevant laws and regulations.
- The Company has limited tolerance towards operational risks/losses, such as internal fraud, unauthorized trading limit excesses, data security and GDPR. Operational risks inherited in the business operations of the Company are managed proactively.

The Company's risk appetite statement is reviewed at least annually and is updated when deemed necessary.

3.8 RISK CULTURE

The BoD has a crucial 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.

The role of the Risk Manager is to promote a risk management culture across the Company, develop policies and supporting methodologies for identifying, assessing, and where possible mitigating the Company's risk exposures.

The Company has focused primarily on the implementation of a firm-wide effective and pervasive risk culture. This will be 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; and
- Training.

3.9 REGULATORY LIMITS

Under the IFR/IFD, the Company shall at all times satisfy the following regulatory own funds requirements:

1. A **CET1 ratio of at least 56%**, where CET1 ratio is the Company's CET1 capital expressed as a % of its total Own Funds Requirement*;
2. A **Tier 1 (CET1+AT1) ratio of at least 75%**, where Tier 1 ratio is the Company's Tier 1 capital expressed as a % of its Own Funds Requirement*;
3. A **Total ratio (Tier 1 and Tier 2) ratio of 100%**, where total capital ratio is the Company's own funds expressed as a % of its total Own Funds Requirement*.

* **Note:** For Octa, the Own Funds Requirement is given as the greatest of: (i) the Permanent Minimum Capital Requirement of EUR 750,000; (ii) the Fixed Overheads Requirement; and (iii) the K-Factors Requirement.


In addition to the capital requirements, under the new IFR, the Company is obliged to hold liquid assets equal to or greater than its Liquidity Requirement.

The Liquidity Requirement is equal to the sum of:

- A third of the Company's fixed overheads capital requirement (so a twelfth of the Company's fixed overheads in the preceding year); and
- 1.6% of the value of any customer guarantees given by the Company (if applicable).

3.10 ICARA AND STRESS TESTING

The scope of the stress testing, in the context of the Annual Internal Capital Adequacy and Risk Assessment Process (hereinafter, the "ICARA") is to evaluate the impact on the Company's current and future profitability and capital and liquidity adequacy, as well as, to assess and quantify risks using forward looking stress testing scenarios.



The ICAAP process helps the Company to determine the additional, to the IFR Own Funds Requirement, capital needed to cover all risks and to maintain an adequate surplus in respect to the minimum capital requirements under the IFR.

The ICAAP is conducted in accordance to the CySEC's guidelines and the results are communicated to CySEC, upon its request, the BoD and the General Management.

Stress tests consider the following:

- Understanding the risk profile of the Company.
- Evaluating of the Company's capital adequacy in absorbing potential losses under stressed conditions from risks not covered or not adequately covered under the minimum regulatory and liquidity requirements. This takes place in the context of the Company's ICARA.
- Evaluating 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.
- Establishing or revisioning 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 share capital; or
- Enhance contingency planning.

4. OWN FUNDS COMPOSITION

The following information provides a reconciliation between the balance sheet presented in the unaudited management accounts and the balance sheet prepared for prudential purposes.

In accordance with the provisions of Article 49 (1) of the IFR, the Company shall disclose the composition of its own funds using the templates of Annex VI of the European Commission Regulation (EU) 2021/2284 and in accordance with the relevant instructions set out in Annex VII of that Regulation.

The composition of the Company's own funds in accordance with the abovementioned Regulation is tabulated in the following tables:

Table 4: Composition of regulatory own funds of Octa based on Template EU IF CC1.01

Ref	Common Equity Tier 1 (CET1) capital: instruments and reserves	Amounts in EUR'000s	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross reference to EU IF CC2)
1	OWN FUNDS	1,021	
2	TIER 1 CAPITAL	1,021	
3	COMMON EQUITY TIER 1 CAPITAL	1,021	
4	Fully paid-up capital instruments	5,795	Total Ordinary Share Capital as per 2022 unaudited management accounts
6	Retained earnings	(3,445)	Total Reserves as per Audited 2021 FS
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1,329)	
17	(-) Losses for the current financial year	(1,273)	Total losses for the year of 2022 unaudited management accounts
26	(-) Other deductions	(57)	ICF Deduction plus extraordinary ICF (Acc. C9999 of Company's accounting systems)
27	CET1: Other capital elements, deductions and adjustments	0	
28	ADDITIONAL TIER 1 CAPITAL	0	
40	TIER 2 CAPITAL	0	

Table 5: Own funds: reconciliation of regulatory own funds to balance sheet in the unaudited management accounts based on Template EU IFCC2

	Balance sheet as in unaudited management accounts	Under regulatory scope of consolidation - SOLO ENTITY	Cross reference to EU IF CC1
	31/12/2022 (UNAUDITED) EUR'000s	31/12/2022 (UNAUDITED) EUR'000s	31/12/2022 (UNAUDITED) EUR'000s
Assets - Breakdown by asset classes according to the balance sheet in the unaudited management accounts			
Property, plant and equipment (Non-current assets)	26	26	N/A
Trade and other receivables (Non-current assets)	57	57	Row 26 in EU IF CC1 (related in ICF)
Right-of-use assets	52	52	
Trade and other receivables (Current assets)	110	110	N/A
Cash and cash equivalents	898	898	N/A
Total Assets	1,142	1,142	
Liabilities - Breakdown by liability classes according to the balance sheet in the unaudited management accounts			
Trade and other payables (Current liabilities)	4	4	
Lease Liabilities (Current liabilities)	54	54	N/A
Financial Liabilities at fair value through profit or loss	0	0	
Other liabilities	6	6	
Total Liabilities	64	64	
Shareholders' Equity			
Share Capital	5,795	5,795	Row 4 in EU IF CC1 (ordinary CET1 share capital)
Retained Earnings	(3,445)	(3,445)	Row 6 in EU IF CC1 (related to retained earnings/ (losses) of previous years)
Current year earnings/ (losses)	(1,273)	(1,273)	Row 17 in EU IF CC1 (related to losses for the current financial year of 2022)
Total Shareholders' equity	1,078	1,078	

5. OWN FUNDS REQUIREMENTS

The primary objective of the Company with respect to its capital management is to ensure that the Company complies with the own funds requirements imposed by the IFR and Law 165 (I) / 2021 of CySEC.

Under this framework, the Company needs to monitor the level of its own funds and own funds requirements 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 own funds 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 total Own Funds Requirement of the Company is determined in accordance with Article 11 of the IFR and is defined as the highest of the following:

1. The **Permanent Minimum Capital Requirement** – *calculated in accordance with Article 14 of the IFR*
2. The **Fixed Overheads Requirement** – *calculated in accordance with Article 13 of the IFR*
3. A **K-Factor Requirement** – *calculated in accordance with Article 15 of the IFR*

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 the level of its own funds and own funds requirements and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

5.1 PERMANENT MINIMUM CAPITAL REQUIREMENT

Given that Octa is licensed to offer the 'Dealing on Own Account' investment service, its permanent minimum capital requirement in accordance with Article 14 of the IFR, is EUR 750,000.

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of EUR 750,000 and internally set level of EUR 850,000, as per its Risk Appetite Statement described in Section 3.7 above.

5.2 FIXED OVERHEADS REQUIREMENT

In accordance with Article 13 of the IFR, the Fixed Overheads Requirement is given as the 25% of the Company's fixed overheads of the preceding year (based on the Audited Financial Statements).

The following table presents the total Fixed Overhead Requirement for the Company over as at 31.12.2022:

Table 6: Calculation of Fixed Overheads Requirement as at 31.12.2022

	31.12.2022
	EUR
Fixed Overhead Requirement	281
Annual Fixed Overheads of the previous year after distribution of profits	1,125
Total expenses of the previous year after distribution of profits¹	1,125
of which: Fixed expenses incurred on behalf of the investment firm by third parties	0
(-) Total Deductions	(0)
(-) Staff bonuses and other remuneration	0
(-) Employees', directors' and partners' shares in net profits	0
(-) Other discretionary payments of profits and variable remuneration	0
(-) Shared commission and fees payable	0
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	0
(-) Fees to tied agents	0
(-) Interest paid to customers on client money where this is at the firm's discretion	0
(-) Non-recurring expenses from non-ordinary activities	0
(-) Expenditure from taxes	0
(-) Losses from trading on own account in financial instruments	(0)
(-) Contract based profit and loss transfer agreements	0
(-) Expenditure on raw materials	0
(-) Payments into a fund for general banking risk	0
(-) Expenses related to items that have already been deducted from own funds	0
Projected fixed overheads of the current year²	1,282
Variation of fixed overheads (%)	13.96%

Notes:

¹ Total Expenses represent the total expenses of the Company based on the Audited Financial Statements for the year ended 31.12.2021.

² Projected fixed overheads (for the year ended 31.12.2022) are based on the Company's capital planning.

5.3 K-FACTOR REQUIREMENT

The k-factor requirement was introduced with the IFR/IFD and changed the way investment firms calculated their capital requirements so far. The K-factor Requirement is based upon the risk exposure indicators (“K-factors”), capturing not only the balance sheet risks but P&L risks as well.

The **K-Factor Requirement** for the Company shall amount to, at least, the sum of the following:

1. **Risk-to-Client (“RtC”) K-Factors** 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).
2. **Risk-to-Market (“RtM”) K-Factors** captures net position risk (K-NPR) in accordance with the market risk provisions of Regulation (EU) No 575/2013 or, where permitted by the competent authority, based on the total margins required by an investment firm’s clearing member (K - CMG). ***The Company uses the K-NPR method to calculate market risk capital requirement.***
3. **Risk-to-Firm (“RtF”) K-Factors** capture an investment firm’s exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on Regulation (EU) No 575/2013, concentration risk in an investment firm’s large exposures to specific counterparties based on the provisions of that Regulation that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm’s daily trading flow (K-DTF).

The table below provides information on total K-factor requirement for the Company and the applicable K-factors that form it, in accordance with its licensed investment services:

Table 7: Total k-factor requirement as at 31.12.2022

in EUR’000s	K-factor Requirement 31.12.2022
Risk to client	0.122
Assets under management	0.000
Client money–held - Segregated	0.122
Client money–held - non-segregated	0.000
Assets safeguarded and administered	0.000
Client orders handled - Cash trades	0.000
Client orders handled - Derivatives Trades	0.000
Risk to market	0.830
K-Net positions risk requirement	0.830
Clearing margin given	0.000
Risk to firm	4.315
Trading counterparty default	4.313
Daily trading–flow - Cash trades	0.000
Daily trading–flow - Derivative trades	0.002
K-Concentration risk requirement	0.000
TOTAL K-FACTOR REQUIREMENT	5.267

5.4 TOTAL OWN FUNDS REQUIREMENT AND CAPITAL RATIOS

The total Own Funds Requirement and Capital Ratios of the Company as at 31st of December 2022 is presented in the below table. It is reminded that the total own funds requirement for Octa should be the highest of the following:

1. The **Permanent Minimum Capital Requirement** (see Section 5.1 above)
2. The **Fixed Overheads Requirement** (see Section 5.2 above)
3. The **K-Factor Requirement** (see Sections 5.3 above)

Table 8: Total Own Funds Requirement, capital ratios and capital levels based on IFR

in EUR'000s	31.12.2022 ¹
Available Eligible Own Funds²	1,021
Own Funds Requirement, higher of:	750
1. Permanent Minimum Capital Requirement	750
2. Fixed Overhead Requirement	281
3. Total K-factor Requirement	5
CET-1 Ratio (min. regulatory is 56% based on new IFR)	136.2%
Surplus/(Deficit) over CET-1 Ratio	601
Tier 1 Ratio (min. regulatory is 75% based on new IFR)	136.2%
Surplus/(Deficit) over CET-1 Ratio	459
Own Funds Ratio (min. regulatory is 100% based on new IFR)	136.2%
Surplus/(Deficit) over CET-1 Ratio	271

Notes:

¹Based on unaudited management accounts as at 31.12.2022.

²Own Funds consist of CET1 instruments only (i.e. no AT1 instruments, no Tier 2 instruments)

5.5 CONCENTRATION RISK REQUIREMENT

Limits to large exposures are calculated as specified in the IFR/IFD, where a simplified application of the corresponding CRR requirements is used and apply to large exposures in the trading book only.

In general, the Company shall comply with the Large Exposure limits laid down below:

- An investment firm's limit with regard to the concentration risk of an exposure value, after taking into account the effect of the credit risk mitigation, with regard to an individual client or group of connected clients shall be 25 % of its own funds.
- Where the aforementioned client is an institution, or where a group of companies of connected clients include one or more institutions, the limit shall be the higher of 25% of the Company's own funds or EUR 150m.
- Where the amount of EUR 150m exceeds the 25% of the Company's own funds, the limit shall not be higher than 100% of the Company's own funds.

According to the IFR, where the limits are exceeded, the Company shall notify the authorities and meet the own funds requirement for the amount of excess of these limits (K-CON). The exposure value with regard to an individual client or group of connected clients shall not exceed:

- 500% of the investment firm's own funds, where 10 days or less have elapsed since the excess occurred;
- in aggregate, 600% of the investment firm's own funds, for any excesses that have persisted for more than 10 days.

The Company did not have any limit breaches as regards to the large exposures during the four quarters of 2022. The own funds requirement for the concentration risk remains zero.

5.6 LIQUIDITY REQUIREMENT

Liquidity risk is the possibility that, over a specific horizon, the Company will be unable to raise cash and meet its financial obligations.

The new IFR/IFD regulatory framework introduced a new liquidity requirement for Class 2 CIFs (like Octa), which obliges CIFs to hold liquid assets that are equal to the sum of:

- i. A **third of the Company's fixed overheads capital requirement** (so a twelfth of the firm's fixed overheads in the preceding year); and
- ii. 1.6% of the value of any customer guarantees given by the Company.

The total Liquidity Requirement and level of liquid assets for the Company as at 31st of December 2022 is presented in the below table.

Table 9: Liquidity Requirement and level of Liquid Assets as at 31.12.2022

Amounts in EUR	31.12.2022
Liquidity Requirement ¹	94
Client Guarantees²	0
Total Liquid Assets	663
Unencumbered short-term deposits	663
Total eligible receivables due within 30 days	0
Level 1 assets	1
Coins and banknotes	1
Withdrawable central bank reserves	0
Central bank assets	0
Central government assets	0
Regional government/local authorities' assets	0
Public Sector Entity assets	0
Recognisable domestic and foreign currency central government and central bank assets	0
Credit institution (protected by Member State government, promotional lender) assets	0
Multilateral development bank and international organisations assets	0
Extremely high-quality covered bonds	0

Level 2A assets	0
Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)	0
Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %)	0
High quality covered bonds (CQS2)	0
High quality covered bonds (Third Country, CQS1)	0
Corporate debt securities (CQS1)	0
Level 2B assets	0
Asset-backed securities	0
Corporate debt securities	0
Shares (major stock index)	0
Restricted-use central bank committed liquidity facilities	0
High quality covered bonds (RW35 %)	0
Qualifying CIU shares/units	0
Total other eligible financial instruments	0

Notes:

¹ Liquidity Requirement is calculated as the 1/3 of the Fixed Overhead requirement during the year of 2022. The Fixed Overhead requirement (see Section 5.2 above) during the last three quarters of 2021 was equal to EUR 281K).

² No client guarantees were given by the Company during 2022.

5.7 OTHER RISKS

Other Concentration Risks

In addition to the K-CON capital requirement Octa also monitors other concentration risks on a quarterly basis in accordance with Article 54 of the IFR. Such concentration risks do not give rise to the capital requirements of the Company but should be monitored only for information purposes.

In accordance with Article 54 of the IFR, the Company also monitors on a quarterly basis, the following levels of risk:

- the level of concentration risk with respect to the **credit institutions, investment firms and other entities where client money is held;**
- the level of concentration risk with respect to the **credit institutions, investment firms and other entities where client securities are deposited;**
- the level of concentration risk with respect to the **credit institutions where the investment firm's own cash is deposited;**
- the level of concentration risk from **earnings;**
- the level of concentration risk as described in points (a) to (e) calculated taking into account **assets and off-balance-sheet items not recorded in the trading book** in addition to exposures arising from trading book positions.

Business Risk

Business risk is a distinct type of risk that is not captured in the course of the minimum regulatory capital requirement under IFR/IFD and is defined as the possibility of economic loss arising from adverse strategic and business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment, including technological progress. The Company manages strategic risk through its normal conduct of business, while business risk is further examined in the course of the annual ICARA.

Reputation Risk

Reputational risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by clients, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor client service, fraud or theft, client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations whether such fact is true or false.

The Company has policies and procedures in place when dealing with possible client complaints, in order to provide the best possible assistance and service under such circumstances. The risk of having unhappy clients is considered as remote, due to the fact the Company will do its best to provide high quality services to its clients. In addition, the Company's BoD members and Senior Management comprise of experienced professionals who are recognized in the industry for their integrity and ethos, and, as such, add value to the Company.

Regulatory risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has in place documented procedures and policies based on the requirements of relevant Laws and Directives issued by CySEC. Compliance with these procedures and policies is further assessed and reviewed by the Company's Internal Auditor and suggestions for improvement are implemented by management. The Internal Auditor evaluate and test the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is considered as low.

Compliance Money Laundering Terrorist Financing Risk

Compliance risk is the current and prospective risk of economic loss arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards.

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 Compliance/Money Laundering and Terrorist Financing Risks. Among

others, the Company has established or is in the process of establishing the below policies, procedures and controls:

- a. 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. adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing Risk, prior and after the establishment of a business relationship with a client;
- c. setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g., documents collected from independent and reliable sources);
- 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. Developed and established a Customers' Acceptance Policy ("CAP") which has also been included in its AML Manual and reflects the actual policies and procedures followed by the Company;
- g. A number of policies (i.e., Conflicts of Interest Policy, Client Complaints Policy, Investor Compensation Fund Policy, MIFID Client Categorization, etc.) have been uploaded in the Company's website aiming at providing its Clients with all necessary information prior to the establishment of a business relationship;
- h. The Company's Compliance Officer, in liaison with the BoD and the Heads of the Front-line Departments, designed effective organizational and administrative arrangements, which are expected to be implemented going forward, with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of the Company's Clients;
- i. Established mechanisms that allow the Company to submit the EMIR and MIFIR reporting on a daily basis according to the provisions of the relevant Laws and Directives;
- j. Electronically submit to CySEC the Risk Based Supervision Framework ('RBS-F');
- k. The Company is in the process of setting in place the Common Reporting Standard (CRS) reporting;
- l. Registered with the goAML system implemented by Unit for Combating Money Laundering (MOKAS).
- m. The Company's Compliance Officer and Senior Management shall ensure on an ongoing basis that, the Product Governance Requirements under MiFiD II will be met; and
- n. Ensure 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 in order to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

IT Risk

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable. The Company is regularly, at least annually, conducting Business Continuity Plan (BCP) stress tests to ensure the proper functioning of its systems and back-up procedures but also to minimise the possibility of such type of risk to materialise.

6. REMUNERATION POLICY AND PRACTICES

The Company's Remuneration Policy (the "Policy") forms an integral part of its corporate governance and is developed in accordance with its operational model and strategy. The Policy has been drafted in line with ESMA's "Guidelines on Remuneration Policies and Practices (MiFID)", the EBA's "Guidelines on sound remuneration policies under Directive (EU) 2019/2034" and CySEC's Consolidated Directive DI144-2014-14 on the Prudential Supervision of Investments Firms.

In accordance with Title IV, Chapter 2, Part B of the CySEC Law 165(I)/2021 on the prudential supervision of investment firms, Octa is obliged to establish and apply a remuneration policy for categories of staff, including senior management, risk takers, staff engaged in control functions and any employees receiving overall remuneration equal to at least the lowest remuneration received by senior management or risk takers, whose professional activities have a material impact on the risk profile of the Company or of the assets that it manages.

The remuneration policy shall comply with the following principles:

- the remuneration policy is clearly documented and proportionate to the size, internal organisation and nature, as well as to the scope and complexity of the activities of the CIF;
- the remuneration policy is gender-neutral;
- the remuneration policy is consistent with and promotes sound and effective risk management;
- the remuneration policy is in line with the business strategy and objectives of the CIF, and also takes into account long term effects of the investment decisions taken;
- the remuneration policy contains measures to avoid conflicts of interest, encourages responsible business conduct and promotes risk awareness and prudent risk taking;
- the CIF's board of directors in its supervisory function adopts and periodically reviews the remuneration policy and has overall responsibility for overseeing its implementation;
- the implementation of the remuneration policy is subject to a central and independent internal review by control functions at least annually;
- staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of

the objectives linked to their functions, regardless of the performance of the business areas they control;

- the remuneration of senior officers in the risk management and compliance functions is directly overseen by the remuneration committee or, where such a committee has not been established, by the board of directors in its supervisory function;
- the remuneration policy, taking into account the rules in force in the Republic of Cyprus on wage setting, makes a clear distinction between the criteria applied to determine the following:
 - basic fixed remuneration, which primarily reflects relevant professional experience and organisational responsibility as set out in an employee's job description as part of his or her terms of employment;
 - variable remuneration, which reflects a sustainable and risk adjusted performance of the employee, as well as performance in excess of the employee's job description;
- the fixed component represents a sufficiently high proportion of the total remuneration so as to enable the operation of a fully flexible policy on variable remuneration components, including the possibility of paying no variable remuneration component.

In accordance with Article 51 of the IFR, the Company shall disclose the following information regarding its remuneration policy:

i. Most important design characteristics

The Company's remuneration policy aims to ensure that:

- The remuneration of employees is based on their overall performance within the Company, particularly emphasising on evaluating the employees on the basis of Qualitative Criteria, which aim on the employees' efficiency in the workplace and the overall service experience rendered to the Company's Clients;
- The Company is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- Employees are offered a competitive remuneration package;
- Employees feel encouraged to create sustainable results and that a link exists between shareholder and employee interests;
- Corporate values and culture are supported;
- Leadership, accountability, teamwork and innovation are reinforced;
- The contribution and performance of the businesses, teams and individuals are aligned.

The Company's remuneration policy is set by the BoD and focuses on ensuring sound and effective risk management through:

- Setting goals and communicating these goals to employees;
- Including non-financial goals in performance and result assessments;
- Making fixed salaries the only remuneration component.

The BoD has the overall responsibility for providing recommendations on employee remuneration.

The Policy is reviewed by the BoD on a regular basis, at least once a year, while a performance review of all employees is conducted once a year. The design of remuneration policies and practices is approved by the people who effectively direct the business of the Company, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance.

The people who effectively direct the business are responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policy and practices can create.

The Company does not offer any variable remuneration or bonus to any individual employee.

ii. Ratios between fixed and variable remuneration

As stated in the previous section, Octa does **not offer any variable remuneration or bonus to any individual employee.**

iii. Aggregated quantitative information on remuneration:


The table below provides 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:

Table 10: Aggregate Annual Remuneration as at 31.12.2022 (in EUR)

Remuneration as at 31st December 2021	No. of beneficiaries	Annual Remuneration (EUR)		
		Fixed	Variable	TOTAL
Senior Management	5	203,659	0	203,659
Heads of Departments & other staff	8	225,453	0	225,453
Total	13	429,112	0	429,112

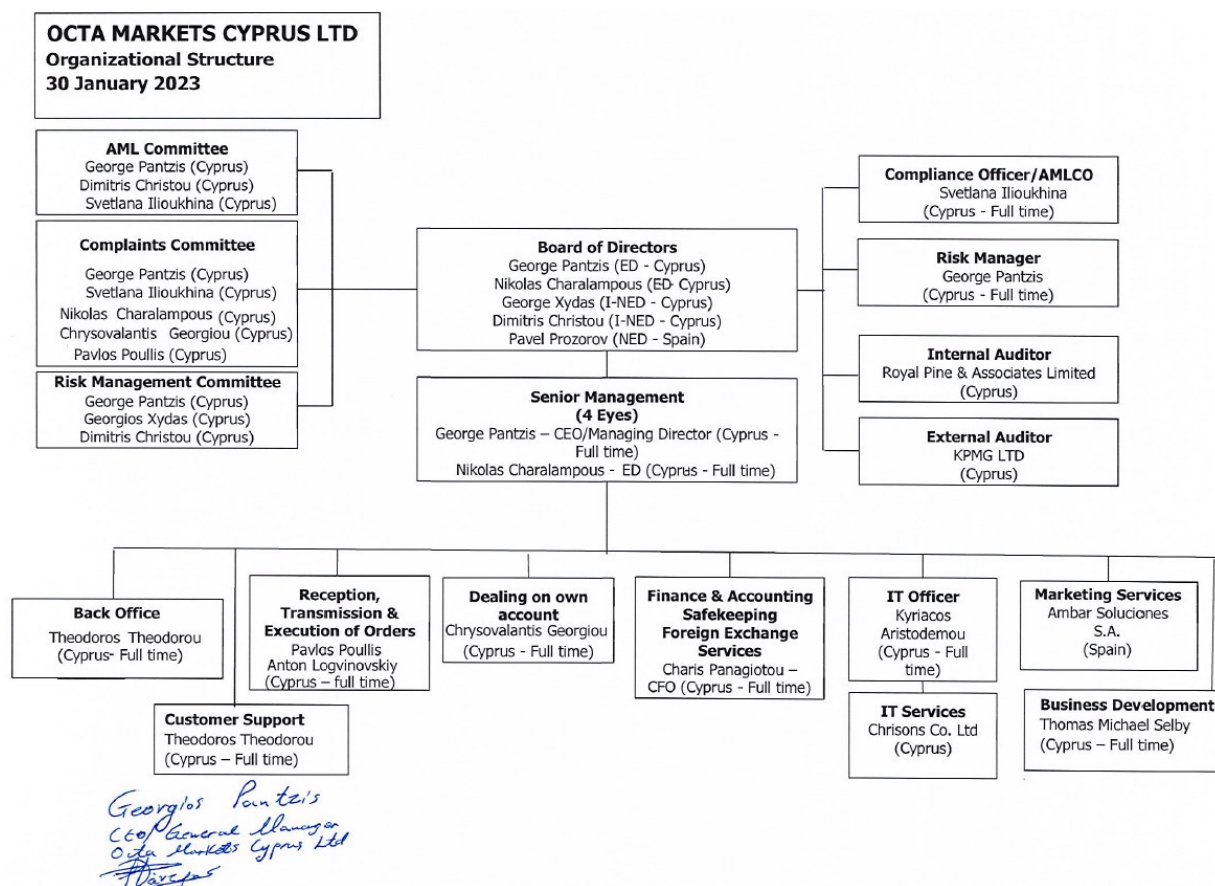
Notes:

1. Senior Management personnel includes the Board of Directors and the Head of each department. One of the NED is not compensated by the Company.
2. Other Staff includes Senior Officers whose actions have a material impact on the risk profile of the Company.



During 2022, the Company did not pay or award any sign-on or severance payments, nor any guaranteed variable remuneration. There were also no severance payments that were awarded in previous periods, and which have been paid out during 2022.

7. ANNEX I – ORGANISATIONAL STRUCTURE



8. ANNEX II – Main Features of Own Funds

Template EU IF CCA		Common Equity Tier 1 instruments
1	Issuer	Octa Markets Cyprus Ltd
2	Unique identifier (Legal Entity Identifier code)	2138004G54OD2XQM6182
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Company Law (Chapter 13)
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (EUR)	5,795,231
7	Nominal amount of instrument (EUR)	5,795,231
8	Issue price (EUR)	1
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	2018-2022**
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	N/A
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	No
23	Non-cumulative or cumulative	Non-cumulative
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

** 'N/A' indicates that the particular field is not applicable*

*** The Company's revenues are still not sufficient to cover its operational expenses. Therefore, during 2022 the Company's shareholder injected capital on a monthly basis (i.e., 12 share capital issuances overall, at the end of each month), so that the Company to be able to cover its total expenses, while maintaining the minimum capital required as per the applicable regulatory framework.*

9. ANNEX III – SPECIFIC REFERENCES TO THE IFR

IFR Reference (Article)	High Level Summary	Compliance Reference
Scope of Disclosure Requirements		
46 (1)	Requirement to publish disclosures for Class 2 IFs	1.2
46 (2)	Requirement to publish disclosures for Class 3 IFs, issuing AT1 instruments	N/A
46 (3)	Requirement to publish disclosures when a Class 3 IFs no longer meets the criteria to be considered a small and non-interconnected IF	N/A
46 (4)	Determination of the appropriate medium and location to publish the disclosures	1.2
Risk management objectives and policies		
47	Investment firms shall disclose their risk management objectives and policies for each separate category of risk, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm's management body succinctly describing the investment firm's overall risk profile associated with the business strategy.	3
Governance		
48 (a)	Number of directorships	2.3
48 (b)	Diversity Policy	2.4
48 (c)	Risk Committee and number of times the risk committee has met annually	3.6
Own Funds Composition		
49 (1) (a) to (c)	Requirements regarding disclosure of own funds	4
49 (2)	Requirements regarding disclosure of own funds based on EBA Templates (Regulation (EU) 2021/2284)	4
Own Funds Requirements		
50 (a)	Summary of the investment firm's approach to assessing the adequacy of its internal capital to support current and future activities	3.10
50 (b)	Upon a request from CySEC, the result of the investment firm's internal capital adequacy assessment process, including the composition of the additional own funds based on the supervisory review process as referred to in point (a) of Article 39(2) of Directive (EU) 2019/2034 ("IFD")	N/A
50 (c)	The K-factor requirements	5.3
50 (d)	The fixed overheads requirement	5.2

Remuneration policy and practises		
51 (a)	Most important design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, pay out in instruments policy, deferral policy and vesting criteria	6 (i)
51 (b)	Ratios between fixed and variable remuneration	6 (ii)
51 (c)	Aggregated 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 investment firm	6 (iii)
51 (d)	Information on whether the investment firm benefits from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034 ("IFD")	N/A
Investment Policy		
52 (1)	<p>Investment firms which do not meet the criteria referred to in point (a) of Article 32 (4) of Directive (EU) 2019/2034 ("IFD") disclose the following in accordance with Article 46 of this Regulation:</p> <ul style="list-style-type: none"> (a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector; (b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with Article 52 (2) of the IFR, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; (c) an explanation of the use of proxy advisor firms; (d) the voting guidelines regarding the companies the shares of which are held in accordance with article 52 (2) of the IFR 	<p>N/A – Octa meets the criterion of point (a) of Article 32 (4) of Directive (EU) 2019/2034</p> <p>(i.e., its total on and off-balance sheet assets are less than EUR 100mio over the last four-year period</p>
52 (2)	The investment firm referred to in Article 52 (1) of the IFR shall comply with that paragraph only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended.	N/A – as per comment in point 52 (1) above)

52 (3)	EBA, in consultation with ESMA, shall develop draft regulatory technical standards to specify templates for disclosure under Article 52 (1) of the IFR.	N/A – as per comment in point 52 (1) above)
<i>Environmental, social and governance risks</i>		
53	From 26 December 2022, investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 shall disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034.	<p>N/A – Octa meets the criterion of point (a) of Article 32 (4) of Directive (EU) 2019/2034</p> <p>(i.e., its total on and off-balance sheet assets are <u>less than EUR 100mio</u> over the last four-year period</p>