



Prochoice
Chrimatistiriaki Ltd

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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

YEAR ENDED 31 DECEMBER 2021

July 2022

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1. General Information and Scope of Application

Requirements of the Regulation (EU) No 2019/2033

The information below is disclosed in accordance with the Part Six of the IFR, Section 50(1)(f) of Law 165(I)/2021 of the CySEC for the Prudential Supervision of Investment Firms, which harmonises the IFD with local legislation and the European Banking Authority's ("EBA") Final Report (EBA/ITS/2021/02) setting out Draft Implementing Technical Standards on reporting requirements for investment firms under Article 54(3) and on disclosures requirements under Article 49(2) on Regulation (EU) 2019/2033.

The information that the Company discloses herein relates to the year ended 31 December 2021.

Principal Activities

Prochoice Chrimatistiriaki Ltd was incorporated in Cyprus 7th May 2008 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company has applied for and obtained a license with Number 100/09 in July 2009 from the CySEC to operate as a Cyprus Investment Firm and has a LEI code of 213800AXCQ9J9EVHNP33.

Also, the company is a member of the Cyprus Stock Exchange (CSE) and a distant member of the Athens Stock Exchange (ASE).

Currently, the Company has a license to offer the following investment and ancillary services based on the applicable laws and regulations of the period under review:

Investment Services
Reception and transmission of orders in relation to one or more financial instruments
Execution of Orders on Behalf of Clients

Ancillary Services
Safekeeping and administration of financial instruments, including custodianship and related services
Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Foreign exchange services where these are connected to the provision of investment services
Investment research and financial analysis of other forms
Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services

Tied Agents
Approved Tied Agents

The Company is operating online through its Online Trading Platform at the website www.pro-choice.com.cy.

Disclosure Policy

The disclosures included in this Report are made on a solo basis and are published annually. This Report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2021 which are prepared in accordance with the International Financial Reporting Standards (“IFRS”).

Due to COVID-19 outbreak the External Auditors’ verification report on Pillar III Disclosures, will be completed by the end of July (31/07).

Unless stated otherwise, all amounts are in thousands of Euro (“€” or “EUR”) which is the functional currency of the Company.

Prudential Framework

The capital adequacy and overall risk management requirements that applied until recently to the Company under the Capital Requirements Regulation & Directive (“CRR & CRDIV”) prudential framework, have been replaced by amended prudential rules established by the EU Regulation 2019/2033 (“Investment Firm Regulation” or “IFR”) and the EU Directive 2019/2034 (“Investment Firm Directive” or “IFD”), which became applicable on the 26th of June 2021. The new rules introduce changes in the methodologies that specific categories of EU investment firms are required to apply for calculating their exposures to risk and their Capital Adequacy ratio.

Implications of the Coronavirus Outbreak

With the Covid-19 pandemic and the unprecedented health crisis it created coming to an end, the Management is now in a position to view the business environment pertinent to the Company operations with more optimism.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its business in the current business and economic environment.

Russian Invasion to Ukraine

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already 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. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

Investment Policy & Environmental, Social and Governance risks

The Company is not considered as significant CIF given that its total on and off-balance sheet assets are on average less than EUR 100 million over the four-year period immediately preceding the given financial year. Therefore, the Company has no obligation to disclose any information relating to IFR Article 52 (Investment Policy) and Article 53 (Environmental, Social and Governance risks).

Scope of the Disclosures

Prochoice Chrimatistiriaki Ltd does not have any subsidiaries and therefore the information presented in this report relates solely to the Company.

2. Governance – Board and Committees

2.1 The Board

The Board of Directors, which consists of both executive and non-executive independent members, has overall responsibility for the establishment and oversight of the Company's risk management and governance framework. The following are part of the responsibilities of the Board of Directors in relation to risk management:

- Setting the strategies and objectives of the Company
- Overseeing the internal control system of the Company
- Approving internal documents, policies and procedures

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed.

The Board is satisfied that financial controls and systems of risk management are robust. The Board comprises of 2 executive directors and 4 non-executive directors.

2.2 Board - Diversity Policy

It is the Board's responsibility to identify, evaluate and select candidates for the Board of the Company and thus a predetermined procedure is followed for such a selection.

Specifically, the members need to have integrity and honesty, the necessary qualifications, education, skills and experience in order to perform their duties. They also need to have financial knowledge, as well as experience relevant with the Company's activities in general and with financial matters. Part of the duties of the Board of Directors is to find and evaluate, based on the above mentioned criteria, possible candidates who would be able to respond to the demands of the Board of Directors of the Company.

The Company recognizes the benefits of having a diverse Board of Directors which includes and makes use of differences in the skills, experience, knowledge and background between members of the Board. Therefore, diversity is taken into consideration when determining the optimum composition of the Board of Directors.

2.4 Number of directorships held by members of the Board

The table below provides the number of directorships a member of the management body of the Company holds at the same time in different entities, including Prochoice Chrimatistiriaki Ltd. 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. For the purposes of the below, executive or non-executive directorships held within the same group count as single directorship.

Name of Director	Position within Prochoice Chrimatistiriaki Ltd	Number of Directorships	
		Executive	Non-Executive
Antonis Antoniou	Executive Director	1	2
Andreas Leonidou	Executive Chairman	3	-
Stelios Koiliaris	Non-Executive Director	2	3
Stavros Stavrou	Non-Executive Director	2	1
Stefanos Hailis	Non-Executive Director	1	2
Sergios Sergiou	Non-Executive Director	-	1

2.5 Structure and Organization of the Risk Management Framework

The Company's Risk Management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company's activities. The current Risk Management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives. Within the Company's Risk Management framework there are structures that provide for the validation role of Risk Management, Compliance and Internal Audit functions. Even though these are distinct functions and they perform specific duties in the overall Risk Management framework, there is a considerable degree of overlap and intersect present.

The Company has designed its risk management framework to be proportionate to the scale, nature and complexity of its business, and is comprised of the following components:

- Board of Directors
- Investment Committee
- Risk Management Function
- Compliance and Anti-money Laundering Function
- Accounting and Finance
- Internal Audit (Outsourced)

Board of Directors

As described in paragraph 2.1 the Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management and governance framework.

Investment Committee

The Company has established an Investment Committee which consists of three members, the main responsibility of which is to set the investment policy of the Company according to the market environment

at the time and formulates the framework in which the asset management and client investment advisory functions of the Company should operate.

Risk Management Function

The Risk Management function adapts and maintains specific policies and risk management procedures that enable the identification of the Company's risks. The risk management function is independent from any other units with administrative power and reports to the Board of Directors and the Investment Committee. It is responsible for providing advice to the Board with regards to the risk management policy of the Company and to ensure that any rewards are weighted by their associated risks. The risk management function also advises various Company business units on risk-return profiles associated with their operations and asset classes they are dealing with. It monitors the implementation of the Company agreed policy as defined by the Board of Directors and the various CySEC regulations.

Risk Management aims to continuously develop and improve risk measuring and monitoring mechanisms. In addition, the risk management function is responsible for reviewing and updating the Company's risk management policies and procedures. The Risk Management function is responsible to assess and report to the Board and the Investment Committee all data, events, actions and new expansion or entry to new investments that can expose the Company to any type of risk, which will have an impact to the Company's operating functions. The Risk Management function ensures that relevant controls are put in place to evaluate the effectiveness and the practical implementation of measures to mitigate and manage risks.

Compliance and Anti-money Laundering Function

The Compliance function is an independent function. The Company has a Compliance Officer and Anti-Money Laundering Officer that has the responsibility for ensuring that structures and procedures are in place to ensure compliance with laws and regulations, which relate to carrying out business transactions, internal policies and procedures as well as fostering standards of behavior to protect and enhance the reputation of the Company. He/She reports primarily to the Company's Board of Directors and directly to the Managing Director.

Accounting and Finance Department

The Accounting department is responsible for the management accounts which are feeding into the Capital Adequacy requirements monitoring and the preparation and timely submission of the relevant reports to the CySEC. Furthermore, the Accounting Department is responsible for monitoring the Company's exposure to credit and market risks. It is also responsible for the safekeeping of clients' funds.

Internal Audit

The Internal Audit function is outsourced and is administratively independent from any other units of the Company and reports directly to the Board of Directors and the Audit Committee. It is responsible for conducting independent appraisals of the Company's activities, functions and operations to ensure that an adequate framework of internal controls has been established and is operating effectively.

The Internal Auditor is responsible for ensuring that Management has established a framework of specific internal controls, accounting controls and operating procedures, commensurate with exposures to risk and to ensure compliance with the overall guidance of Board-approved policies and applicable regulations. The efforts of the Internal Auditor are augmented through the use of audit resources obtained from third-party vendors in the area of information technology.

4. Current 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”), Prochoice Chrimatistiriaki Ltd (“the Company” or “Prochoice”) 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.

The new prudential framework of IFR/IFD entered into force on June 26, 2021. 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 will now be 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.

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

- A **Permanent Minimum Capital Requirement of EUR 150,000;**
- 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).

5. Own Funds

The Company is required to hold Own Funds in sufficient quantity and quality in accordance with the IFR & IFD prudential framework, which sets out the characteristics and conditions for Own Funds.

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

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 Own Funds of the Company consist solely of Common Equity Tier 1 Capital, which is made up of share capital, reserves (retained earnings and dividends) and audited Profit form current year.

Intangible assets and computer software are deducted from the Company's Common Equity Tier 1 Capital.

Table 8 and Table 9 have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02). Table 8 presents the composition of the Company's Own Funds as at 31 December 2021, while Table 9 indicates how these Own Funds reconcile with the Company's audited

Balance Sheet as of this date. As shown below, the Company's Own Funds as at 31 December 2021 consisted solely of CET1 capital resources and amounted to €168K.

Table 8-Template EU IF CC1.01 - Composition of Regulatory Own Funds

Template EU IF CC1			
Ref	(€'000)	31 Dec 2021 (€'000)	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements (Cross reference to EU IF CC2)
1	OWN FUNDS	168	
2	TIER 1 CAPITAL	168	
3	COMMON EQUITY TIER 1 CAPITAL	168	
4	Fully paid up capital instruments	852	Ref 1 (Shareholders' Equity)
6	Retained earnings	(652)	Ref 2 (Shareholders' Equity)
11	Other funds	338	Ref 2 (Shareholders' Equity)
17	(-) Losses for the current financial year	(328)	Ref 2 (Shareholders' Equity)
27	CET1: Other capital elements, deductions and adjustments	(42)	Ref 4 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Table 9-Template EU IF CC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Template EU IF CC2			
(€'000)		Balance Sheet as in audited Financial Statements	Cross reference to EU IF CC1
		31 December 2021	
Ref	Assets		
1	Property, plant and equipment	21	
2	Other Non-current assets	165	
3	Trade and other receivables	334	
4	Cash and cash equivalents (Investor's Compensation Fund)	42	Ref. 27
5	Cash and cash equivalents (Other)	699	
	Total Assets	1.261	
Liabilities			
1	Non-current liabilities	40	

2	Current liabilities	1.011	
	Total liabilities	1.051	
Shareholders' Equity			
1	Share capital	852	Ref. 4
2	Reserves	(642)	Ref. 6, Ref. 11, Ref. 17
	Total Shareholders' Equity	210	

6. Principal Risks

Risk to Client

Risk to Client (“RtC”) is the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors under RtC:

- **K-AUM (Assets Under Management)** - K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. During the year under review, the Company did not provide portfolio management or investment advice services, thus the Company was not subject to the risk relating to this K-factor.
- **K-CMH (Client Money Held)** - K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. As part of its business, the Company holds funds on behalf of its customers, and to this end, it is subject to the risk captured by this K-factor.
- **K-ASA (Assets Safeguarded and Administered)** - K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on their own balance sheet or in third-party accounts. During the year under review, the Company provided the ancillary service of safekeeping and administration of Financial Instruments for the account of Clients, hence the Company is it subject to this k-factor.
- **K-COH (Client Orders Handled)** - K-COH captures the potential risk to clients of an investment firm which executes orders in the name of the client, and not in the name of the investment firm itself. The Company executes its clients’ orders, therefore the risk reflected by this K-factor applies.

K-ASA

The Company, when holding Financial Instruments belonging to Clients, must have in place adequate arrangements so as to safeguard Clients' ownership rights, especially in the event of the Company's insolvency, except with the Client's express consent.

For the purposes of safeguarding Clients' rights in relation to assets belonging to them, the Company shall:

- a) keep records and accounts in the Company's systems as are necessary to enable it at any time and without delay to distinguish assets held for one Client from assets held for any other Client, and from its own assets;
- b) maintain its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the assets held for Clients. The Administration/Back Office Department shall be responsible for ensuring the maintenance of the records and accounts, in every possible event;
- c) conduct, on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom those assets are held, such as between Clients' bank accounts and the custodian's balances (debit side) and Client's credit balances and Financial Instrument balances (credit side). The Head of the Finance & Accounting Department shall be responsible for the reconciliations.

K-CMH

The Company, when holding funds belonging to Clients, must have in place adequate arrangements to safeguard the Clients' rights and, except in the case of credit institutions, prevent the use of Client funds for its own account.

The Company shall, on receiving any Client funds, promptly place those funds into one or more accounts opened with any of the following:

- a) central bank
- b) credit institution
- c) bank authorized in a third country
- d) qualifying money market fund.

In the event that the Company decides not to deposit Client funds with a central bank, it shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements for the holding of those funds. The Company shall take into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of Clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of Client funds that could adversely affect Clients' rights.

Further to the above, the Head of Safekeeping and Administration Services shall be responsible for ensuring that the Company does not mix its own funds with their Clients' funds. In this respect, the account(s) containing Client funds should be labelled as "Clients' Account".

The Internal Auditor shall be responsible to ensure the above provisions with respect to the proper and adequate maintenance of bank accounts containing Client funds, at least annually.

K-COH

Where the Company shall provide the investment service of execution of orders on behalf of Clients the following shall apply:

- a) the Company must implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its Client orders, relative to other Client orders or its trading interests

- b) in the case of a Client limit order in respect of shares admitted to trading on a regulated market which is not immediately executed under prevailing market conditions, the Company must, unless the Client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately that Client limit order in a manner which is easily accessible to other market participants. The Company is considered to have satisfied this obligation by transmitting the Client limit order to a regulated market or/and MTF.
- c) the Company shall take all reasonable steps to obtain, when executing orders, the best possible result for its Clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, whenever there is a specific instruction from the Client the Company shall execute the order following the specific instruction
- d) the Company shall implement and maintain its order execution policy to allow the Company to obtain, for its Clients' orders, the best possible result in accordance with point (c) above
- e) the order execution policy shall include, in respect of each class of instruments, details on the different venues where the Company executes its Clients' orders and the factors affecting the choice of execution venue and it shall at least include those venues that enable the Company to obtain on a consistent basis the best possible result for the execution of Client orders
- f) the Company shall provide appropriate information to its Clients on its order execution policy and obtain the prior consent of its Clients to the said execution policy
- g) where the order execution policy provides for the possibility that Client orders may be executed outside a regulated market or an MTF, the Company shall, inform its Clients or potential Clients about this possibility and obtain their prior express consent before proceeding to execute their orders outside a regulated market or an MTF. The Company may obtain this consent either in the form of a general agreement or in respect of individual transactions
- h) the Company shall monitor the effectiveness of their order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, it shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the Client or whether it needs to make changes to its execution arrangements. The Company shall notify its Clients of any material changes to its order execution arrangements or execution policy
- i) the Company shall be able to demonstrate to its Clients, at the Clients' request, that it has executed their orders in accordance with the Company's execution policy

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

Risk to Market

Risk to Market ("RtM") is the risk that an investment firm poses to the financial markets it operates in and the counterparties it trades with.

- **K-NPR (Net Position Risk)** - K-NPR is based on the rules for Market risk for positions in interest rate instruments, equities, foreign exchange and commodities in accordance with Regulation (EU) No 575/2013. Therefore, K-NPR captures the market risk, which is defined as the risk that the value of an investment will decrease due to changes in market factors (such as currency fluctuations, changes in interest rates and movements in equity and commodity prices). The Company's exposure to Market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. During 2021 due to the fact that the company cannot perform

the investment activity of dealing for own account, it had no investments in bonds or shares in any stock market. The Company keeps mainly its accounts in Euro therefore no foreign exchange rate risk exists. As of 31 December 2021, the Company was not exposed to currency risk, and to this end this K-factor does not apply.

- **K-CMG (Clearing Margin Given)** - This is an alternative to K-NPR to provide for Market risk for trades that are subject to clearing as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. This K-factor was not applicable to the Company for the year ended 31 December 2021.

Foreign Exchange risk

Foreign exchange risk results from adverse movements in the rate of exchange on transactions in foreign currencies. The Company keeps mainly its accounts in Euro therefore no foreign exchange rate risk exists. As of 31 December 2021, the Company was not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Risk to Firm

Risk to Firm ('RtF') is the risk that an investment firm faces through its trading activity and market participation.

There are three K-factors under RtF:

- **K-TCD (Trading Counterparty Default)** - K-TCD captures the Counterparty Credit Risk arising from an investment firm's exposure to the default of its trading counterparties. In particular, TCD means the exposures in the trading book of an investment firm in specific instruments and transactions (includes positions with both clients and liquidity providers) giving rise to the risk of trading counterparty default. Prochoice Chrimatistiriaki Ltd did not hold any derivatives and did not enter into any repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions hence the Company does not face this K-factor.
- **K-DTF (Daily Trading Flow)** - K-DTF captures the Operational Risk related to the value of trading activity that an investment firm conducts. It reflects the risk of transactions that an investment firm enters through dealing on own account or executing orders on behalf of clients in its own name.
- **K-CON (Concentration Risk)** - K-CON seeks to apply additional own funds requirements to manage concentration to a single counterparty / issuer of financial instruments or a group of connected counterparties / issuers to which an investment firm incurs Trading Book exposures, and

which exceed prescribed limits. Concentration risk is partly being addressed through diversification of counterparties, namely banking institutions. This K-factor does not apply to the Company.

K-DTF

The company has two different internet supplies to avoid any discontinuation of the operations. Contingency and recovery plans for core services, key systems and priority business processes have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant. Awareness campaigns remain a critical tool in driving a business continuity culture across the company. The company will continue to enhance and develop operational resilience to meet evolving business priorities.

The Company manages operational risk through a control-based environment in which processes are documented and systems are reviewed and upgraded. This is enhanced by continuous monitoring.

7. Minimum Capital Requirements

The new framework (IFR/IFD) 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, according to Article 11 of IFR.

Fixed Overhead Requirement (“FOR”)

The Company monitors its FOR at least on a quarterly basis. The Company complies with Article 13 of the IFR stating that the Company shall hold own funds of at least one quarter of the fixed overhead expenses of the preceding year. The Fixed Overheads Requirement as at 31 December 2021 amounted to €73K.

Permanent Minimum Capital Requirement (“PMCR”)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €150K, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

The Company’s K-factor requirement is calculated in accordance with Articles 16 through to 33 of the IFR. Table 10 below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2021.

Table 10-Minimum Capital Requirements

Minimum Capital Requirements		
K-Factor Requirement		31 December 2021 (€'000)
Risk-to-Client (RtC)	k-AUM	-
	k-CMH	1
	k-ASA	5
	k-COH	(0)

Risk-to-Market (RtM)	k-NPR	-
	k-CMG	-
Risk-to-Firm (RtF)	k-TCD	-
	k-DTF	(0)
	k-CON	-
Total K-Factor Requirement		6
Fixed Overhead Requirement – FOR		73
Permanent Minimum Capital Requirement – PMCR		150

Table 10 above shows that the PMCR of €150K is the highest amount of minimum capital requirement that the Company must hold at all times.

Table 11 below indicates that the Company has excess capital of €18K above the minimum it is required to hold. This is reflected by a Capital Adequacy Ratio of 112,13%, which is above the minimum threshold of 100% set out in Article 9(1)(c) of IFR.

Table 11-Capital Excess/Ratio

(€'000) - 31 December 2021	Fully-phased in	Reference
Capital		
Common Equity Tier 1	168	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	168	<i>a</i>
Own Funds Requirement		
K-factor Requirement	6	<i>b</i>
Fixed Overhead Requirement	73	<i>c</i>
Permanent Minimum Capital Requirement	150	<i>d</i>
Minimum Own Funds Requirement	150	<i>e = (higher of b, c, d)</i>
Capital Excess/Ratio		
Capital Excess	18	<i>a-e</i>
Capital Ratio	112,13%	<i>a/e</i>

8. Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Management of liquidity risk

In accordance with the CySEC clients' money rules, the Company holds all the funds of its clients in segregated accounts that are clearly designated as clients' money bank accounts. Therefore, the Company considers liquidity risk in relation to all clients' trading activity to be significantly low.

Moreover, in addition to the Own Funds requirements, a Liquidity Requirement was introduced by the IFR according to which the Company is required to maintain liquidity levels equal to at least one third of its Fixed Overhead Requirement. As of the 31st of December 2021, the Company satisfied the Liquidity Requirement. The Company monitors the level of its liquid assets on at least a quarterly basis.

9. Regulatory and Compliance risk

The Company is regulated by the Cyprus Securities and Exchange Commission. The regulator under its capacity is issuing several circulars which are expected to affect the Company's current operations. One of these circulars is referring to bonuses that CIFs are providing to their clients creating an incentive to trade.

The Company's revenue depends upon the maintenance of licenses from regulators. Non-compliance with the regulatory framework of jurisdictions in which the Company's trading platform is accessible from, could adversely affect the Company's profitability and may result in the suspension, revocation or amendment of its licenses and/or other enforcement action.

Increased regulatory scrutiny of the industry in which the Company operates could adversely affect the Company's revenue, business and profitability. Changes to the EU regulatory framework, current and proposed EU regulations and directives could restrict the Company's business. The implementation of necessary changes to comply with the increased regulatory framework could potentially result in significantly additional demand on the Company's resources.

To mitigate Regulatory and Compliance Risk, the Company's compliance officer keeps abreast of regulatory developments. External legal advice is obtained on new regulations affecting the CFDs sector in the jurisdictions in which the Company operates. Relevant actions are then initiated by the Company to ensure comprehensive and consistent compliance at all times.

Regulatory capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through striving to improve the Equity and Capital Adequacy Ratio.

10. Remuneration Disclosures

In accordance with the Regulation, the Company should disclose information about its remuneration policy and practices followed for those categories of staff whose professional activities have a material impact on its risk profile.

Due to its size and the principle of proportionality, which takes into account the scale, nature and complexity of activities of the Company, the Company considers all its employees as persons with material risk impact on the Company.

The Company's remuneration policy is set by the Board of Directors. The Board of Directors is responsible to determine the remuneration of the Directors and the Secretary of the Board. The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, individual performance and the remuneration offered by other companies that are similar in size and range of activities.

The remuneration structure offered by the Company to management and staff comprises mainly of a fixed salary cash component. The Company's remuneration policy includes variable pay component (cash based) in the form of bonuses.

The Company's annual remuneration to management and staff as at 31 December 2021 is shown in the Table below:

Annual Remuneration	31 st December 2021			
	€000			
	Number of beneficiaries	Fixed	Variable	Total
Senior Management and Executive Directors	2	81	-	81
Other staff	5	157	-	157
Total	7	238	-	238

**The category "Senior Management and Executive Directors" includes Executive Directors and heads of departments.*

**The category "Other Staff" includes Chief Operating Officer, Director, Administrative and Operational Services, Department of Finance & Accounting and Transaction accounts and customer service.*

Appendices

Appendix I – Main Features of Own Funds

Template EU IF CCA	Common Equity Tier 1 instruments
1 Issuer	Prochoice Chrimatistiriaki Ltd
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	213800AXCQ9J9EVHNP33
3 Public or private placement	Private
4 Governing law(s) of the instrument	Cyprus Law
5 Instrument type	Ordinary Shares
6 Amount recognised in regulatory capital (in EUR)	€852.000
7 Nominal amount of instrument	852.000
8 Issue price (in EUR)	€1,00
9 Redemption price	N/A
10 Accounting classification	Shareholders' equity
11 Original date of issuance	07/05/2008
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	N/A
<i>Coupons / dividends</i>	N/A
17 Fixed or floating dividend/ coupon	N/A
18 Coupon date and any related index	N/A
19 Existence of a dividend stopper	N/A
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	N/A
23 Non-cumulative or cumulative	N/A
24 Convertible or non-convertible	Non-Convertible
25 If convertible, conversion trigger(s)	N/A
26 If convertible, fully or partially	N/A
27 If convertible, conversion rate	N/A
28 If convertible, mandatory or optional conversion	N/A
29 If convertible, specify instrument type convertible info	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