LITEFOREX (EUROPE) LTD

Regulated by the Cyprus Securities and Exchange Commission, License Number 093/08.
Legal Entity Identifier: 2138004T5O9TMDYPBJ47.

PILLAR III DISCLOSURES AND MARKET DISCIPLINE REPORT FOR 2024

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

APRIL 2025

DISCLOSURE

The Pillar III Disclosures and Market Discipline Report for the year 2024 has been prepared by Liteforex (Europe) LTD as per the requirements of Regulation (EU) No. 2019/2033 issued by the European Commission and the Directives DI144-2014-14, DI144-2014-15 issued by the Cyprus Securities and Exchange Commission.

Liteforex (Europe) LTD has prepared the following Disclosures based on the audited financial statements for the year ended 31st of December 2024. While the information included in the Disclosures derives from the Company's audited financial results, the Disclosures do not constitute the Company's Financial Statements nor do they constitute any form of contemporary or forward-looking record or opinion of the Company.

Disclosures are merely prepared to explain how the Company manages risks, under the requirements of the Cyprus Securities and Exchange Commission, and how much capital is assigned to these risks for their management.

Liteforex (Europe) LTD states that any information that was not included in this Report was either not applicable to 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.

Contact Us

Address	30 Spyrou Kyprianou, 1st Floor, Germasogeia, 4040, Limassol, Cyprus
Telephone	+357 25 750555
Fax	+357 25 722377
Web site	www.liteforex.eu
Email	support@liteforex.eu

T: +357 2575 0555; **F:** +357 2572 2377; www.liteforex.eu
A: 30 Spyrou Kyprianou, 1st Floor, Germasogeia, 4040, Limassol, Cyprus

CONTENTS

1. SCOPE OF APPLICATION

The present Report is prepared by Liteforex (Europe) LTD (the "Company") a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", "the Commission") under the license number 093/08 and operates in harmonisation with the Markets in Financial Instruments Directive (MiFID). The following information is disclosed in accordance with Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on Prudential Requirements for Credit Institutions and Investment Firms and Amending Regulation (EU) No. 648/2012.

Pillar III Regulatory Framework Overview

In accordance with Regulation (EU) No. 575/2013 (the "Capital Requirements Regulation", "CRR"), which was introduced in 2014, the Company is required to disclose information relating to 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 new legislative package is considered a key step towards creating a sounder and safer financial system. The scope of this report is to promote market discipline and to improve the transparency of market participants.

On the 26th of June 2013, the European Parliament and the Council released a legislative package known as "CRD IV" to strengthen the regulation of the financial sector. The CRD IV package replaces the previous European Capital Requirements Directives (2006/48 and 2006/49) and CySEC's Directives DI144-2007-05 and DI144-2007-05, commonly known as Basel II, in relation to capital requirements and large exposures, with a European Directive (2013/36/EU) and a European Regulation (575/2013). The Regulation (EU) 575/2013 (the "Regulation" or the "CRR") is directly applicable as a Single Rule book by all Member State institutions whereas the Directive 2013/36/EU needs to be transposed by all member state regulatory authorities. The transposed Directive of CySEC is named Directive DI144-2014-14 ("the Directive"). In addition, CySEC has issued Directive DI144-2014-15 which includes some national discretions arising from the Regulation. The main purpose of the Basel II revisions was to make the framework more risk sensitive and representative of actual risk management practices.

CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. Furthermore, CRR introduces significant changes in the prudential regulatory regime applicable to banks and CIFs including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. It is immediately binding on all EU member states. CRD IV governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which will be largely fully effective by 2019 and some other transitional provisions provide for phase in until 2024.

Capital Buffers

The CRD IV package is the implementation of "Basel III" in Europe. Basel III is a comprehensive set of reform measures in the prudential regulation of financial services developed by the Basel Committee on Banking Supervision. It aims to strengthen the regulation, supervision and risk management of the banking and investment services sectors.

CRD IV is transposed into national laws, which allows national regulators to impose additional capital buffer requirements. Based on the provisions of the macroprudential oversight of Institutions Law of 2015 which came into force on 1 January 2016, the Central Bank of Cyprus (CBC) is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV.

The countercyclical capital buffer (CCB) was introduced as part of the Basel III regime to help counter cyclicality in the financial system. Capital should be accumulated when cyclical systemic risk is judged to be increasing, creating buffers that increase the resilience of the banking sector during periods of stress when losses materialize. This will help maintain the supply of credit and dampen the downswing of the financial cycle. The CCB is also intended to dampen excessive credit growth during the upswing of the financial cycle.

Under the Capital Requirements Directive IV and Capital Requirements Regulation, which gave legal effect to the Basel III agreement in the EU, each member state has a designated authority that is responsible for setting the CCB rate in its jurisdiction. There is also a strong European element to the framework, with the European Systemic Risk Board having the power to issue guidance to national authorities on the implementation of the CCB framework.

In Cyprus, the Central Bank of Cyprus (CBC) is the designated authority responsible for setting the rate and the CCB rate applies to the total risk exposure amount of all licensed credit institutions and investment firms that provide the investment services of dealing on own account, underwriting of financial instruments or placing of financial instruments on a firm commitment basis, with the exception of small or medium-size investment firms (currently 60 in number) exempted by the CBC.

On 13 December 2018, the CBC announced the determination of the CCB rate for the first quarter of 2019, based on data up to 30 June 2018. The gap between the credit-to-GDP ratio and its long term trend based on both the broad and narrow (bank) credit definition is negative. Based on this, and taking into account the additional indicators assessed by the CBC, which include non-financial private sector indebtedness, banking sector resilience, the real estate market, the real economy and external imbalances, the CBC has determined that the CCB rate for the first quarter of 2019 will continue to be zero.

Cyprus Investment Firms (CIFs) are required to maintain an institution specific CCyB. The CCyB is designed to counter the buildup of excessive credit at a macroeconomic level, ensuring a more stable credit supply. It is to be built up during periods of economic growth and drawn down during economic downturns. The CCyB is equivalent to the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 multiplied by the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the CIF are located or applied.

The Macroprudential Authority has defined in its macroprudential policy a list of criteria used for setting the CCyB rates on exposures of institutions to each material country and to exposures of institutions to third countries. According to paragraph 52(2) of the Directive, the Macroprudential Authority may exempt small and medium sized CIFs from holding an institution specific CCyB, in addition to their CET 1 Capital.

The Macroprudential Authority after its latest assessment has decided not to exempt small and medium sized CIFs with immediate effect. Therefore, all CIFs that are authorized to provide the investment services listed in points 3 (dealing on own account) and/or 6 (underwriting with firm commitment) of the Law are obliged to maintain an institution specific CCyB.

Further to the above, the Macroprudential Authority has decided to activate the capital conservation buffer (the “CCB”) having exercised its power. The CCB was phased-in gradually, starting from 1 July 2016 at 0.625% and increasing by 0.625% every year thereafter, until being fully implemented (2.5%) on 1 January 2019. The Company is obliged to maintain a 2.5% CCB in addition to the CET1 capital maintained for the year 2024 to meet the own funds requirement imposed by Article 92 of the CRR.

The Macroprudential Oversight of Institutions Law, 2015, also requires the maintenance of additional capital buffer by the systemically important credit institutions and investment firms either at the national level, or at the EU level, referred to as Other Systemically Important Institutions (“O-SII”).

The O-SII capital buffer reflects the cost for an institution of being systemically important and reduces the moral hazard from the support of the institution from the state and the taxpayers and compensates for the higher risk it represents for the national financial system and the potential consequences of its failure. The Company is not obliged to maintain an O-SII capital buffer as it is not an O-SII institution.

The 3 Pillars

The current regulatory framework comprises three pillars:

- **Pillar I** *(Minimum Capital Requirements)* covers the calculation of Risk Weighted Assets for Credit Risk, Market Risk and Operational Risk and sets out the minimum capital requirements firms are required to meet;

- **Pillar II** *(Supervisory Review Process “SREP”)* covers the Supervisory Review and Evaluation Process (“SREP”), which assesses the Internal Capital Adequacy Assessment Process (the “ICAAP”) and whether additional capital is required over and above the Pillar I and provides for the monitoring and self-assessment of an institution’s capital adequacy and internal processes.

- **Pillar III** *(Market Discipline)* covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.

The 2024 Pillar III Disclosures Report sets out both quantitative and qualitative information required in accordance with Part 8 of the CRR and in particular articles 431 to 455, which specify the requirements of the Disclosures.

Upcoming Regulatory Changes – IFR & IFD

The European Parliament on 16 April 2019 has adopted a new, comprehensive regulatory regime for investment firms: the Investment Firm Directive ("IFD") and Investment Firm Regulation ("IFR") are intended to replace the existing applicable regulation for investment firms.

T: +357 2575 0555; **F:** +357 2572 2377; www.liteforex.eu
A: 30 Spyrou Kyprianou, 1st Floor, Germasogeia, 4040, Limassol, Cyprus

While small and "non-interconnected" firms, in particular, will benefit from less regulation, the legislation for "systemically relevant" investment firms means no less than equal treatment with credit institutions in the sense of a level playing field – accordingly, they will fall entirely under the previous regulatory framework (i.e. CRR). As a result, all other investment firms will no longer be subject to the CRD/CRR framework, which is primarily intended for banks.

The new regulatory regime applies to ALL investment firms authorised and supervised under the MiFID II. The main regulatory changes in the prudential framework by IFR and IFD:

a. New Classification of Investment Firms
b. Initial Capital Requirement and Composition
c. Capital Requirements (K-Factors)
d. Concentration Risk Requirement
e. Liquidity Requirements
f. Disclosures Requirements
g. Reporting Requirements
h. Other Supervisory Requirements.

According to the new prudential regulatory framework, the Initial Capital Requirements and classification for investment firms will be amended. Specifically, investment firms will be classified into three different categories (Class 1, Class 2 and Class 3) based on their size and business operations. Moreover, the initial capital requirements will be amended (€750k, €150k and €75k) and it will be decided based on the investment services an entity is authorised to offer.

Further to the above, the regulatory capital ratio requirements will not be applicable anymore and investment firms will be requested to comply with the following at all times:

a) CET 1 should constitute at least 56% of capital requirements;
b) Tier 1 should constitute at least 75% of capital requirements;
c) Tier 1 and Tier 2 should constitute at least 100% of capital requirements.

CET1, Tier 1 and Tier 2 will be calculated in accordance with the eligibility criteria of the capital instruments as per the provisions of the CRR.

As regards the capital requirements calculation, Class 1 Investment Firms will continue to calculate their overall capital requirements in accordance with the provisions of the existing regulation. However, Class 2 Investment Firms will be requested to maintain their own funds of at least the higher between a) Initial Capital, b) K-Factors requirement and c) Fixed Overheads requirement while Class 3 Investment Firms' capital requirements will be calculated as the higher between only a) Initial Capital and b) Fixed Overheads requirement.

K-factors methodology which is applicable for Class 2 Investment Firms will replace the current credit risk, market risk and operational risk approach in order to calibrate the capital needed to meet the risks of the investment firm. Class 3 firms are not required to calculate their capital based on the K-factor formula while they need to calculate the K-factors for categorisation purposes.

The capital requirement from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Customer (RtC), Risk to Market (RtM) and Risk to Firm (RtF). The K-Factors are calculated as shown below:

Table 1. K-Factors as per IFR&IFD.

Risk to Client (RtC)	Risk to Market (RtM)	Risk to Firm (RtF)
Sum of: • K-AUM: Assets Under Management • K-ASA: Client Assets Safeguarded and Administered • K-CMH: Client Money Held • K-COH: Client Orders Handled	**Higher of:** • K-NPR: Net Position Risk (calculated in accordance to CRR) or • K-CMG: Clearing Member Guarantee	**Sum of:** • K-TCD: Trading Counterparty Default • K-CON: Concentration risk based on large exposures • K-DTF: Operational risks from Daily Trading Flow
**K-AUM, K-ASA, K-CMH, K-COH and K-DTF relate to the volume of activity. The volumes should be multiplied by the corresponding coefficients set out in IFR in order to determine the own fund requirement.*		

As per the new prudential regime, the Company will be classified as a Class 2 investment firm and will be subject to the new capital requirements set out in the Investment Firms Directive ("IFD") and the Investment Firms Regulation ("IFR") which will be into effect on the 26th of June 2021 onwards.

New permanent capital has been introduced and the Company shall ensure that will comply with it. In particular, from the 26th of June 2021 onwards the minimum permanent capital that the Company shall maintain at all times shall amount to EUR150.000, in accordance with Article 9 of Directive (EU) 2019/2034.

Furthermore, the Company will be subject to a new capital requirement introduced by the new prudential regime, the K – factor requirement. In particular, the new K – factor requirement aims to capture the risk that the Company can pose to its clients, to market access or to the Company itself and it is equivalent at least to the sum of:

- Risk-to-client ("RtC").
- Risk-to-market ("RtM").
- Risk-to-firm ("RtF").

The RtC, RtM and RtF will be calculated based on the provisions introduced by IFR.

Further to the above, the Company will be subject to new liquidity requirements, as well as new disclosures and reporting requirements as set out in the new prudential framework.

Following the new challenges arising from the new prudential regime, the Company assesses the impact of the new requirements introduced from the IFR and IFD on its Own Funds in order to take all the appropriate measures to ensure compliance with the new requirements from the 26th of June 2021 onwards.

Materiality of Disclosures

The Regulation provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial, except for the following disclosures:

- Regarding the policy on diversity with regard to the selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved (Article 435 (2) (c) of CRR);
- Own funds (Article 437 of CRR);
- Remuneration policy (Article 450 of CRR).

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions.

Where the Company has considered a disclosure to be immaterial, this was not included in the document.

Disclosures and Confidential Information

The Regulation also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive defines proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable.

Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality. Under the light of the above, the Company avoided to disclose such confidential information in this Report.

Basis and Frequency of Disclosures

According to CySEC's Directive DI144-2014-14 (the "Directive"), the risk management disclosures must be included either in the financial statements of the investment firm, if these are published, or on its website.

The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. The Report is published on the website of the Company at Risk Disclosure webpage on an annual basis as per formal the Disclosure Policy approved by the Board of Directors of the Company.

Verification

The Pillar III disclosure requirements are contained in relevant Articles of the Regulation. In addition, these disclosures must be verified by the external auditors of the CIF. The CIF is responsible to submit its external auditors' verification report to CySEC within five months of each financial year-end.

All Disclosures mentioned are in line with the Company's annual audited Report and Financial Statements, which are prepared in accordance with the International Financial Reporting Standards ("IFRS") and are audited by the Company's External Auditors, A.P. Premier Audit Solutions LTD.

The current Disclosures are based on the position of the Company as at 31st of December 2024.

Scope of Disclosures

The Company does not have any subsidiaries and thus does not need to produce any consolidated results. As a result, the Disclosures in this document relate solely to information of the Company and are made on a solo basis. Unless stated otherwise, all amounts are in thousands of euro ("€" or "EUR").

2. COMPANY INFORMATION

Liteforex (Europe) LTD was incorporated in Cyprus on the 28th of May 2008 as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap 113 with registration number HE 230122.

The Company is authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC" or the "Commission") under license number 093/08 for the conduct of designated investment business in the Republic of Cyprus" with minimum regulatory capital requirements of €150,000.

The Company's operating license from CySEC permits it to undertake regulated investment services consisting of the services of reception and transmission of orders in relation to one or more financial instruments, execution of orders on behalf of clients and portfolio management.

The Company is also authorized to provide the ancillary services of safekeeping and administration of financial instruments, credit granting and foreign exchange services in relation to the investment services provided, as well as investment research and financial analysis.

Table 2: Company's License Information (based on the Third Appendix of the Law 144(I)/2007) on 31.12.2024.

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="8">Investment Services/Activities</th><th colspan="7">Ancillary Services</th></tr>
<tr><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th></tr>
<tr><th rowspan="10">Financial Instruments</th><th>1</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td rowspan="10">-</td><td rowspan="10">✓</td><td>✓</td><td rowspan="10">-</td><td rowspan="4"></td></tr>
<tr><th>2</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><th>3</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><th>4</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><th>5</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td>-</td></tr>
<tr><th>6</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td>-</td></tr>
<tr><th>7</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td>-</td></tr>
<tr><th>8</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td rowspan="2"></td></tr>
<tr><th>9</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><th>10</th><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td>-</td></tr>
</table>

Liteforex (Europe) LTD is an independent international financial markets participant and leading provider of online trading services for retail and institutional investors.

The Company is authorized to provide the following investment services, in accordance with Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets (hereinafter, the "Law"):

INVESTMENT SERVICES
1. Reception and Transmission of Orders in Relation to One or More Financial Instruments
2. Execution of Orders on Behalf of Clients
3. Portfolio Management

The Company is also authorized to provide the following ancillary services:

ANCILLARY SERVICES
1. Safekeeping and administration of financial instruments, including custodianship and related services
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
3. Foreign exchange services where these are connected to the provision of investment services
4. Investment research and financial analysis or other forms

The Company is authorized to provide the investment services of reception and transmission of orders, execution of orders on client's behalf, portfolio management and ancillary services, for the following Financial Instruments, in accordance with the Law:

1. Transferable Securities.
2. Money Market Instruments.
3. Units in Collective Investment Undertakings.
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF.
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls.
8. Derivative instruments for the transfer of credit risk.
9. Financial contracts for differences.
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

3. CORPORATE GOVERNANCE & BOARD OF DIRECTORS

Board of Directors

The responsibility of the overall risk management and/or assessment lies with the Board of Directors of the Company. The Board of Directors needs to identify, assess, monitor and control each type of risk on a continuous basis. More specifically, when managing and/or assessing risks, the responsibilities of the Board of Directors and Senior Management may be summarized as follows:

- To carry the overall responsibility for proper implementation of the relevant laws and regulations;
- To assess on a continuous basis the effectiveness of the policies, arrangements and procedures in place;
- To decide on the Company's risk bearing capability and strategy;
- To ensure they are on the same page in terms of appetite for risk in executing the Company's strategy and making sure the Shareholders understand the stance of the Company;
- To review the Annual Risk Management Report prepared by the Risk Manager and taking appropriate action where necessary;
- To ensure that the Company has the ability to cover its financial needs and capital requirement at any time.

The Board of Directors is comprised of 2 Executive Directors and 3 Non-Executive Directors. The following table shows the constitution of the Board of Directors as at 31st of December 2024:

Table 3. Board of Directors.

Name	Position
Ms. Kristina Leonova	Executive Director
Mr. Ilia Lashchenko	Executive Director
Mr. Aleksey Smirnov	Non-Independent Non-Executive Director
Mrs. Olga Christou	Independent Non-Executive Director
Mr. Andreas Paralikis	Independent Non-Executive Director

Recruitment and Diversity Policy

The Company has implemented the Recruitment and Diversity Policy, providing conditions for employment of staff for crucial managerial positions and those who shall be responsible for the determination of the Company's entrepreneurial strategy.

One of the Board's main responsibilities is to identify, evaluate and select candidates for the Board of Directors 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 Board.

The persons proposed for the appointment should have specific skills and sufficient knowledge to enhance the collective knowledge of the Board and must be able to commit the necessary time and effort to fulfil their responsibilities.

The Policy provides that these people shall have at least three to five years prior experience in relevant executive positions in the financial markets, and adequate academic and/or professional qualifications in financial, management, accounting fields.

Factors considered in the review of potential candidates include, but are not limited to:

- Specialised skills and 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 judgement;
- Risk management experience.

The recruitment principles for the Board Members provide that there are a maximum number of directorships that can be held by the Board Members.

Number of Directorships

All members of the Board commit sufficient time to perform their functions in the Company. The number of directorships that may be held by a member of the Board at the same time shall take into account individual circumstances and the nature, scale and complexity of the Company's activities. Unless representing the Republic, members of the Board of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- one executive directorship with two non-executive directorships
- four non-executive directorships.

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

Data is provided for the Directors in office as at 31st of December 2024 and the compliance with the policy principle was adhered to during the year, including all Directors in office in 2024.

Table 4. Number of Directorships.

Name	Financial Year 2024		
	Position	Directorships - Executive	Directorships - Non-Executive
Ms. Kristina Leonova	Executive Director	1	0
Mr. Ilia Lashchenko	Executive Director	1	0
Mr. Aleksey Smirnov	Non- Independent Non-Executive Director	0	1
Mrs. Olga Christou	Independent Non-Executive Director	0	1
Mr. Andreas Paralikis	Independent Non-Executive Director	0	1

T: +357 2575 0555; **F:** +357 2572 2377; www.liteforex.eu
A: 30 Spyrou Kyprianou, 1st Floor, Germasogeia, 4040, Limassol, Cyprus

By having a diversified Board of Directors the Company has a number of benefits. Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how we do business and imperative to commercial success.

The Company recognizes the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practices in the Corporate Governance Code of many EU countries.

The Company recognizes the benefits of having a diverse Board 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 Board.

Information Flow on Risk Management to the Management Body

The Company provides the structured flow of risks to the management body, with the aim to elevate the risks to the appropriate levels on time.

Risk information flows up to the Board through the Executive Directors or directly from the business departments and control functions.

The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues and approves the ICAAP report as shown in the table below:

Table 5. Main Reporting Requirements.

Report Name	Responsible Person	Recipient	Frequency
Annual Money Laundering Compliance Report	Money Laundering Compliance Officer	Board, CySEC	Annual
Annual Compliance Report	Compliance Officer	Board, CySEC	Annual
Annual Risk Management Report	Risk Manager	Board, CySEC	Annual
Annual Internal Audit Report	Internal Auditor	Board, CySEC	Annual
Pillar III Disclosures	Risk Manager	Board, CySEC	Annual
Financial Statements	External Auditor	Board, CySEC	Annual
ICAAP Report	Risk Manager	Board	Annual
Capital Adequacy Report	Risk Manager	Board, CySEC	Quarterly

Furthermore, the Company believes that the risk governance processes and policies are of at most importance for its effective and efficient operation. The processes are reviewed and updated on an annual basis or when deemed necessary.

4. RISK MANAGEMENT OBJECTIVES & POLICIES

Definition of Risk Management

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

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

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

Characteristics of a productive Risk Management process:

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

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

Risk Management Framework & Governance

As the Company is authorised by the Cyprus Securities and Exchange Commission to conduct investment business, it is required by the EU Capital Requirements Directive to make public disclosure of its risk management objectives and policies in accordance with the requirements of Pillar III of the Directive and the Internal Capital Adequacy Assessment Process ("ICAAP") prescribed by CySEC.

The Company is operated managerially through the medium of two Executive Directors (4-eyes principle). Standing apart from the Company's operational management, it also has the Board of Directors which comprises of two Executive Directors and two Non-Executive Directors.

In accordance with the proportionality principles, and provided a limited range of services and activities undertaken, the overall governance is assigned to the Board Members and no separate Committees are in place at present.

The Board of Directors' responsibility includes monitoring and reviewing the Company's risk management, compliance and internal audit functions and considering reports from compliance, internal audit on internal controls and risk management.

The Board has overall responsibility for the Company's system of internal controls, the objectives of which are the safeguarding of the Company's assets, the maintenance of proper accounting records and the availability of reliable financial information for use within the business and for regulatory reporting.

This system of internal controls designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement and loss, and to prevent and detect fraud and other irregularities.

The Board regularly reviews the effectiveness of the Company's internal control system. There is an ongoing process for identifying, evaluating and managing significant risks which were in place throughout the year.

Also responsible for the Company's internal control system and for the management of its risks are the following departments:

- Risk Management Department
- Anti-Money Laundering Department
- Compliance Officer
- Internal Audit Function
- External Audit Function

All five above listed functions are reporting directly to the Board in regards to the audited outcomes of the Company's operation, at least annually.

The risk management process encompasses the organisation, behaviours, processes, systems and other aspects of a Company that, taken together:

- ✓ facilitate its effective and efficient operation by enabling it to assess current and emerging risks, respond appropriately to risks and significant control failures and safeguard its assets;
- ✓ help to reduce the likelihood and impact of poor judgement in decision-making; risk-taking that exceeds the levels agreed by the Board; human error; or control processes being deliberately circumvented;
- ✓ help ensure the quality of internal and external reporting; and
- ✓ help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

The Company's systems of risk management and internal control include:

- ✓ risk assessment;
- ✓ management or mitigation of risks, including the use of control processes;
- ✓ information and communication systems; and
- ✓ processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

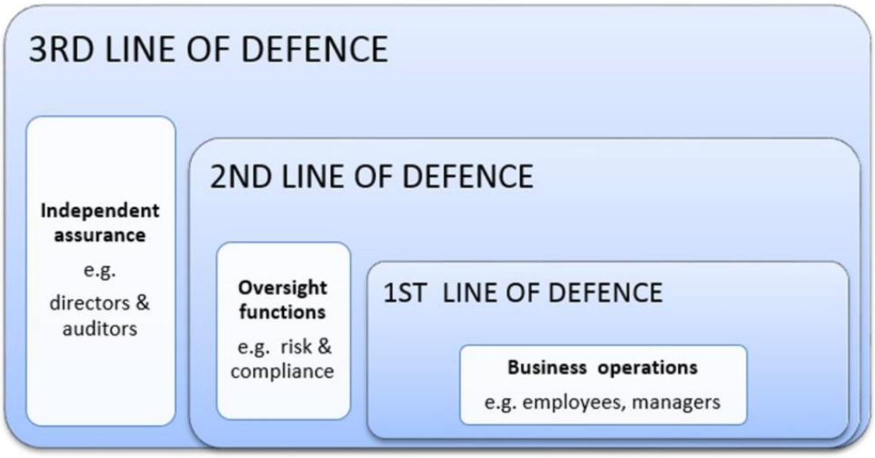
When determining the principal risks, the Board focuses on those risks that, given the Company's current position, could threaten the Company's business model, future performance, solvency or liquidity, irrespective of how they are classified or from where they arise.

The Board treats such risks as principal risks and establishes clearly the extent to which they are to be managed or mitigated, in a form of prescribed credit risk limits, excess expenditures and other parameters important for monitoring of the principal risks.

Three Lines of Defence

To prevent the risks which might impact the smooth operation, the management of the Company has adopted the "Three Lines of Defence" model of governance with clearly defined roles and responsibilities. The Company has a good risk management framework with the systems for identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating material risks that may affect the business's ability to achieve objectives. The "three lines of defence" has become the standard model for identifying, managing and monitoring risks and uncertainty in an organization. The model has three lines (or barriers) of defence against the impact of risk as illustrated below.

Chart 1. Three Lines of Defence Model.



The first line represents staff on the frontline, those involved in day-to-day operations and directly exposed to the risks of the Company's business. It is the first line of defence that is crucial for all businesses, where everyone understands the risks they personally manage and are empowered and qualified to respond appropriately for these risks.

The second line is essentially the oversight function for the first, which sets and monitors the policies and procedures that the first line of defence must comply with. It is the second line of defence, which is crucial for controlling all internal procedures and complying with regulations. There is an adequate managerial and supervisory compliance function in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

The third line is the supervising review of the effectiveness of the first and second lines by the Board of Directors and independent auditors.

The main role of Risk Management is assigned to the Risk Management Department, which represents the second line of defence. The main role of the second line of defence is to provide the tools and methodologies for risk management to the business units, to promote risk awareness, to engage business units in identifying, measuring and mitigating risks as appropriate, to report the losses from risks identified to Senior Management and the Regulatory Authorities, to facilitate the collection and monitoring of Key Risk Indicators (KRIs), to identify risks at Group level in cases where these risks are not managed by a specific business unit and to make sure that actions mitigating risks are implemented.

Risk Appetite Framework (RAF)

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

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

The Board of Directors has approved a Risk Appetite Statement expressed along with multiple scenarios, including both 'normal' business conditions and 'stressed' periods with zero tolerance for regulatory, legal or compliance risks.

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

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

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

Taking into consideration the Company's size, services offered, complexity and operations, the risks that are considered significant and/or material for the Company are credit risk, market risk, operational risk, liquidity risk and large exposures.

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

Risk Culture

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

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

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

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

Furthermore, the Company takes risks in connection with its normal business and as such, the following principles underpin the inherent risk culture:

- Risk is taken within a defined risk appetite.
- Every risk taken needs to be approved within the risk management framework.
- Risk taken needs to be adequately compensated.
- Risk should be continuously monitored and managed.

Stress Testing

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

- Understanding the risk profile of the Company by carrying out exceptional but plausible scenarios, management can identify the ways in which the Company will be affected should that event take place and measure the effects on the Income Statement and Balance Sheet.
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions: This takes place in the context of the Company's ICAAP.
- The evaluation of the Company's strategy: Senior Management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows Senior Management to determine whether the Company's exposures correspond to its risk appetite.
- The establishment or revision of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios.

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

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

Pillar II – Internal Capital Adequacy Assessment Process

Further to the requirements of Pillar I, a more detailed approach to managing risks is achieved through the preparation of the Pillar II requirements and more precisely the Internal Capital Adequacy Assessment Process (ICAAP) report which follows the requirements under Regulation (EU) No. 575/2013 and relevant guidelines issued by CySEC.

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures the Company may have, in addition to requiring appropriate risk management, reporting and governance structures.

Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk, and any external factors affecting the Company. Pillar II connects the regulatory capital requirements to the Company's Internal Capital Adequacy Assessment Procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

Under Basel II, ICAAP is a requirement for the Company to establish and report to the Regulator (on request) the process of Internal Capital Adequacy Assessment (ICAAP). The requirement originates from the rightful assumption that the Pillar I risk assessments may not cover fully the risks assessed under Pillar I calculations, and the Pillar I does not cover unique to the Company (or its particular sector) internal and external risks it may be exposed to.

Therefore, the capital requirements calculated under Pillar I, do not reflect the real amount of capital to be held to cover all relevant risks.

Company's ICAAP Approach

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

Our approach for meeting the Pillar II requirements are based on the Pillar I Minimum Capital Requirement Plus Approach, as it takes the Pillar I capital requirements calculation as a starting point and then considers whether this results in an adequate amount of capital to cover the Company's actual risk profile.

The Company chooses to apply this method and uses, as a starting point, the minimum capital calculated according to the provisions of the Regulation, under Pillar I for credit risk, operational risk and market risk.

The capital calculated as a minimum requirement, under Pillar I, is then assessed internally as to its adequacy vis-à-vis the following:

- Risks covered in Pillar I (additional counterparty credit risk);
- Risks not fully covered in Pillar I (additional concentration and market risks);
- Pillar II risks (reputational, political and client concentration risks).

The Company assesses the above elements of the overall risk, following the chosen approach, and uses the stress scenarios approved at the strategic management levels, mainly for external factors, including through the cycle, to ensure that the Company's plans and current level of the capital are sufficient to:

- meet the Company's liabilities as they fall due;
- survive a recession and meet the Pillar I capital requirement through a severe recession.

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

The Company aims to operate at all times over and above the required statutory capital and currently maintains a prudent level of capital for both short and long term requirements.

Pillar III – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information with respect to the composition of own funds. Preparation and publication of the present Report are made in accordance with this requirement.

5. CAPITAL BASE OWN FUNDS

Own Funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the Company to absorb losses. Own funds consist of the sum of Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital and the Company is required to hold its own funds in sufficient quantity and quality in accordance with the IFR which sets out the characteristics and conditions for its own funds.

The Board has ultimate responsibility for the Company's capital management and capital allocation and to this end; it is kept informed via a quarterly update on the capital and liquidity position of the Company.

The Company throughout the year under review managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities. During the financial year 2024, the Company complied fully with its initial capital requirement (€150,000) and with all capital and liquidity requirements and operated well within the regulatory requirements and fulfilled its obligations by successfully submitting, on a quarterly basis, the CRD IV COREP Forms and the IFR/IFD Forms once the new regulatory framework came into force on 26th of June 2021.

Tier 1 & Tier 2 Regulatory Capital

Investment Firms shall disclose information relating to their own funds. Furthermore, Investment Firms shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the Investment Firm. In this respect, the Company's Tier 1 capital is wholly comprised of Common Equity Tier 1 Capital and other reserves.

On the 31st of December 2024, the Capital base of the Company was as follows:

Table 6. Template EU IF CC1.01 - Composition of Regulatory Own Funds

		Amounts €000	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	**OWN FUNDS**	1,897	-
2	**TIER 1 CAPITAL**	1,897	-
3	**COMMON EQUITY TIER 1 CAPITAL**	1,897	-
4	Fully paid up capital instruments	1,027	Ref 20
5	Share premium	8,773	-
6	Retained earnings	-6,573	-
7	Accumulated other comprehensive income	-	-
8	Other reserves	-	-
9	Minority interest given recognition in CET1 capital	-	-
10	Adjustments to CET1 due to prudential filters	-	-
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-1,265	-
17	(-) Losses for the current financial year	-1,265	-
27	CET1: Other capital elements, deductions and adjustments	-64	-
28	**ADDITIONAL TIER 1 CAPITAL**	-	-
40	**TIER 2 CAPITAL**	-	-

Under the Law, Own Funds consist mainly of paid-up share capital, retained earnings less any proposed dividends, translation differences, investor compensation fund and un-audited current year losses. Current year profits are not added to own funds unless these are audited.

The Own Capital definition and calculations are based on the Directive and are represented entirely by the Tier 1 capital. The overwhelming majority of the Company's Tier 1 capital comprises ordinary shares, which may have been issued at a premium, and shareholders' non-refundable contribution.

In line with CRR, the Company's own funds for prudential purposes do not differ from the financial accounting breakdown of equity therefore there is no need to provide further reconciliation on the amounts presented in the composition below:

6. CAPITAL REQUIREMENTS

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

Minimum Capital Requirements

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 maximize shareholders' value.

Based on the Company's classification, quarterly Capital Adequacy Reports are prepared and submitted to the CySEC. The Capital Adequacy Reports are prepared on a solo basis and the reporting currency is Euro.

It should be noted that the Company does not have any material Crypto-asset holdings and the risks emanating from trading in crypto assets, and/or in financial instruments relating to crypto assets for its clients is immaterial. Therefore, no information is included in this report on:
- the exposure amounts of different crypto-asset exposures,
- the capital requirement for such exposures and
- the accounting treatment of such exposures.

At 31st of December 2024 the composition of the Company's Capital base and its capital ratios were as follows:

Item	€000
Own Funds	
Common Equity Tier 1 Capital	1,897
Additional Tier 1 Capital	-
Tier 1 Capital	1,897
Tier 2 Capital	-
Own Funds Requirements	
Permanent minimum capital requirement	150
Fixed overhead requirement	289
Total K-Factor Requirement	33
Total Own Funds Requirement	289

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

The Company shall maintain a low risk level. The long-term risk profile will be managed so that the effect of an extremely negative, but possible scenario does not significantly reduce the Common Equity Tier 1 capital ratio. If the monitoring process indicates an excessively large impact on the Company's capitalisation, measures will be taken to mitigate the risks.

The objectives of the Company, when managing its capital are:

- safeguarding the Company's ability to continue as a going concern, and
- maintaining an optimal capital structure in order to reduce the cost of capital.

The Board, as well as the Risk Manager, monitor the reporting requirements and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company. The Company manages its capital structure and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

In 2024, the Company fulfilled its obligations by successfully submitting, on a quarterly basis, the Capital Adequacy Reports.

As shown below, the total capital requirements of Liteforex (Europe) LTD as at 31st of December 2024 which are calculated based on the maximum of the operational risk exposure using the Fixed Overhead method and the total of credit and market risk exposures, amounted to **Euro 288,649**, producing the following capital ratios:

According to the Regulation and the Law, the minimum CET1, Tier 1 and Own Fuds ratios of the Company should be 56%, 75% and 100% respectively. As at 31 December, 2024, the Company's ratios are presented below and they are higher than the minimum requirements.

Table 7. Capital Ratios.

CET1 Ratio	**56.00%**	**657.33%**
Tier 1 Ratio	**75.00%**	**657.33%**
Total Own Funds Ratio	**100.00%**	**657.33%**

The Company is classified as Class 2 and is therefore required to calculate its Own Funds requirements as the highest of:

a) its Permanent Minimum Capital (PMC)
b) K-Factor capital Requirement (KFR)
c) Fixed Overheads Requirements (FOR)

where the Permanent Minimum Capital (PMC) of the Company is €150,000 and a summary of the Company's K-Factor and Fixed overheads requirements is provided in the following sections.

Fixed Overhead Requirement

The fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year. Investment firms shall use figures resulting from the applicable accounting framework and where an investment firm has not been in business for one year from the date on which it started providing investment services or performing investment activities, it shall use the projected fixed overheads included in its projections for the first 12 months' trading.

At 31st of December 2024 the Company's Capital fixed overhead requirement was as follows:

	€000
Fixed Overhead Requirement	289
Annual Fixed Overheads of the previous year after distribution of profits	1,155
Total expenses of the previous year after distribution of profits	1,344
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	
(-) Total deductions	-190

7. RISK CATEGORIES AND DEFINITIONS

K-Factor Requirements

The K-factor requirements are calculations introduced by the new framework of IFR/IFD and are tailored to the respective activities of an investment firm according to its authorisation. K-factors are quantitative indicators targeting the services and business practices that are most likely to generate risk to the Company. K-Factors are categorised into three main groups, risk to clients, risk to markets and risk to the firm, reflecting the risk of the Company on each of these areas.

Risk to Clients (RtC)

Risk to Client arises when an investment firm fails to properly provide services to its clients. Risk to Clients refers to the Company's aspects of operation which could cause harm to clients and as such they pose a risk. The K-factors under RtC capture client Assets Under Management and ongoing advice (K-AUM), Client Money Held (K-CMH), Assets Safeguarded and Administered (K-ASA) and Client Orders Handled (K-COH). In the ordinary course of business, the Company uses various control mechanisms in order to ensure that RtC is maintained at minimum levels. The Company has no significant concentration on RtC. The four k-factors under RtC are analysed in more detail below:

- K-AUM (Assets Under Management) is the value of assets that an investment firm manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.
- K-CMH (Client Money Held) is the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm. The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. Clients' funds are kept in reputable Credit Institutions, in accounts classified as "segregated" in accordance with the CySEC regulatory requirements. Segregated client money accounts hold statutory trust status according to regulatory requirements, restricting the Company's ability to control the funds and accordingly such amounts are not presented on the Company's statement of financial position.
- K-ASA (Assets Safeguarded and Administered) is the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on the investment firm's own balance sheet or are in third-party accounts. For the referenced financial year, the K-ASA factor did not apply since the Company did not provide safekeeping and administration on clients' financial instruments (Note: the safeguarding of clients' positions in CFDs, which is performed by the Company, is captured under K-CMH due to the inherent nature of CFDs).

Risk to Market (RtM)

This is the risk the Company may pose to the markets and it relates to the trading book positions of the Company either they are for its clients or for its own account. RtM is not applicable to the Company due the limited scope of its authorisation.

Risk to Firm (RtF)

Risk to Firm refers to the Company's exposure to its trading counterparties, concentration risk from large exposures and operational risk from daily trading flow which could affect the orderly operation of the firm. The respective K-Factor Captures the Company's exposure to these risks. RtF is not applicable to the Company due the limited scope of its authorisation

The Company has been constantly monitoring its K-Factors during the year under review and the K-Factor and the respective requirements of the Company as at 31st of December 2024 are presented below:

	Factor amount	K-factor requirement
TOTAL K-FACTOR REQUIREMENT		33
Risk to client (RtC)		5
Assets under management	545	0
Client money held - Segregated	107	0
Client money held - Non - segregated	743	4
Assets safeguarded and administered	-	-
Client orders handled - Cash trades	-	-
Client orders handled - Derivatives Trades	4,162	0
Risk to market (RtM)		28
K-Net positions risk requirement		28
Clearing margin given	-	-
Risk to firm (RtF)		-
Trading counterparty default		-
Daily trading flow - Cash trades	-	-
Daily trading flow - Derivative trades	-	-
K-Concentration risk requirement		-

8. ADDITIONAL SIGNIFICANT RISKS

Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans; or
- Unexpected changes to assumptions underlying strategic plans.

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

Reputation Risk

Reputational risk can arise from direct Company actions or by actions of third parties that it may or may not have a relationship with. Such Company actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumors and unsubstantiated information.

The Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example communications, through functions with the appropriate expertise. It also places great emphasis on the information technology security which is one of the main causes of such reputational risk manifestation.

Business Risk

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

Capital Risk Management

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the

Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum own funds ratio which is set at 100%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of Company's Management Accounts to monitor the financial and capital position of the Company.

Regulatory Risk

This may arise as a result of negligent actions by the Company's Senior Management and / or staff members, and may lead to fines, loss of license and / or other form of disciplinary action by the regulatory authority. As a result, the Company's reputation will be adversely affected.

The Company maintains strong compliance / internal audit departments, which perform frequent inspections on the Company's processes and procedures. Should a non-compliance issue arise, all appropriate measures are immediately taken to rectify the issue. Both the compliance officer and the internal auditor are qualified and well trained and remain abreast with any new regulatory developments. The potential of such risk arising is considered low.

Legal and Compliance Risk

The Company may, from time to time, become exposed to this type of risks, which could manifest because of non-compliance with local or international regulations, contractual breaches or malpractice.

The probability of such risks manifesting is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews performed by the compliance officer. Additionally, the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets regularly to discuss such issues and any suggestions to enhance compliance are implemented by management. From the Company initiation until the date of this report no legal or compliance issues arose. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that the Company is always compliant with them.

Information Technology Risk

Information technology risk could occur because of inadequate information technology security, or inadequate use of the Company's information technology. For this purpose, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, as well as use of both hardware and software intrusion aversion measures such as (but not limited to) firewalls, anti-virus software, use of security keys, access restrictions, network fencing, and encryption techniques. Materialization of this risk has been minimized to the lowest possible level given the Company's current complexity of its operations and the services it offers to its clients.

9. REMUNERATION POLICY AND PRACTICES

The Company's Board of Directors is responsible for the adoption, periodic review and implementation of the Company's Remuneration Policy. The Company has established a Remuneration Policy, in accordance with the requirements of Law in relation to conflicts of interests and conduct of business rules, and also pursuant to the provisions of the CySEC Directive DI144-2014-14, as amended, for prudential Supervision of Investment Firms, as well as CySEC Circular 031 previously Guidelines GDIF-07, on remuneration policies and practices, the Circular C138 for Remuneration policies and practices, Circular C145 on Clarifications for Circular C138 and ESMA's Q&A – Relating to the provision of CFDs and other speculative products to retail investors under MiFID (ESMA/2016/904) published on the 1st of June 2016 (as updated on the 31st of March 2017 as ESMA 35-36-794) where these comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The Remuneration Policy aims to provide for sufficient incentives so as for the personnel of the Company, including key persons, to achieve the business targets, to deliver an appropriate link between reward and performance whilst at the same time consisting of a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and/or miss-selling practices in light of financial incentives, which could lead to compliance risks for the Company in the long-run.

The Board of the Company has overall responsibility for the implementation, monitoring and review of this Policy, while the Board is responsible for the maintenance of the Policy up to date and thus will review and update the Policy where necessary at least on an annual basis. In addition, the Management of the Company is also responsible to ensure that all persons remunerated by the Company have knowledge of and understand the remuneration policy of the Company.

The Company's Remuneration Policy fulfils the Company's obligation under Part Eight of Regulation (EU) No. 575/2013 of the European Parliament. The responsible body for the implementation of the Company's Remuneration Policy shall be the Board of Directors. The responsibility of the Board is to prepare the decisions regarding the Remuneration Policy, including those which have implications for the risk and risk management of the Company and to table the said decisions or proposals for final deliberation.

Further to the application of enhanced corporate governance arrangements in relation with the Board, the Company's remuneration system has also been enhanced in respect to its disclosure in order to promote further transparency.

Remuneration refers to payments or compensations received for services or employment. Based on the above, the Remuneration Policy includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the CIF's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the Directive DI144-2014-14.

The Board of Directors is advised by the following persons in respect to the Company's Remuneration Policy:

The Compliance Officer shall be advising the Board on remuneration matters, in order to ensure that any developments in the regulatory field are duly monitored and that the Remuneration Policy, as amended from time to time, duly reflects and complies with the provisions of the applicable legal framework.

Part Eight of Regulation (EU) No. 575/2013 of the European Parliament states that the Remuneration Policy must be consistent with and promote sound and effective risk management and that it shall not encourage risk-taking that exceeds the level of tolerated risk of the Company. In order to ensure that the above risk management considerations are duly reflected in the workings, decisions and proposals for final deliberation by the Board of Directors, the Risk Manager shall advise the Board on such matters.

The Remuneration Policy is subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the management body in its supervisory function. The said review should be performed at least on an annual basis by the Internal Audit and the Compliance functions.

The Company has reviewed and updated its Remuneration Policy for risk-taking functions, taking into account their size, internal organization and the nature, scope and complexity of its activities and without prejudice to the provisions of the Processing of Personal Data (Protection of Individuals) Law. Based on the above principles, as covered personnel (senior management and members of staff whose actions have a material impact on the risk profile of the investment firm) have been determined the members of the Board of Directors only.

The Company’s Remuneration Policy is determined by the Board of Directors. The remuneration of the Company’s control functions and senior officers, covered by the Policy, is based on the fixed basis with no variable component.

Present Disclosures are required to provide 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 investment firm, indicating the following:

- The amounts of remuneration for the financial year are split into fixed and variable remuneration, and the number of beneficiaries.
- The amounts and forms of variable remuneration, split into cash, shares, share linked instruments and other types; *- **NONE.***
- The amounts of outstanding deferred remuneration, split into vested and unvested portions; *- **NONE.***
- The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments; *- **NONE.***
- New sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments; *- **NONE.***
- The amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person. *- **NONE.***

In 2024, the remuneration structure of Liteforex (Europe) LTD included only fixed monthly salaries and not any variable cash or non-cash compensation. The Company does not operate a pension scheme/provident fund for its employees.

Table below presents the 2024 annual net remuneration of Senior Management, Executive Directors and other staff whose actions have a material impact on the risk profile of the Company. Senior Management consists of three persons, the Company’s Executive Directors and Non-Independent Non-Executive Director.

Table 8. Remuneration of the Management.

Fixed Emoluments in their executive capacity:

	Number of Beneficiaries	Amounts of Remuneration for the Financial Year 2024		Total Remuneration
		Fixed Remuneration €	Variable Remuneration €	€
Executive Directors	**2**	**150,840**	**0**	**150,840**
Non-Executive Directors	**3**	**66,415**	**0**	**66,415**
TOTAL REMUNERATION:	**5**	**217,255**	**0**	**217,255**

The remuneration relating to independent control functions **(Internal Audit, Compliance Department & AML Department)** is based on fixed fee contracts. For the year 2024, the overall fee for those functions was **Euro 52,459.**