Disclosure and Market Discipline

2021

Contents

1. Introduction

TFI Markets Ltd (hereinafter called the "Company") obtained its license as an Investment Firm regulated by the Cyprus Securities and Exchange Commission (License no. 117/10) on 14th April 2010 and started operations in May 2010. On 1st December 2011, the Company also obtained a license from the Central Bank of Cyprus in order to operate as a Payment Institution, license no. 115.1.2.13. In July 2018, the Company was re-licensed by the Central Bank of Cyprus due to the provisions of Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market ("PSD2"), license no. 115.1.2.13/2018.

This report is prepared as required by Part Six of Regulation 2019/2033 of the European Parliament and of the Council. Under this regulatory obligation, the Company is required to disclose information relating to its capital and the risks it faces, as well as to promote market discipline.

The information disclosed in this report relate to the reference date 30th September 2021, which is the date of the first available data according to Regulation 2033/2019 which entered into force on 26th June 2021.

Any information not contained in this report was either not applicable based on the Company's business or activities or such information is considered as proprietary to the Company. Sharing such information with the public would undermine the Company's competitive position.

The Company is required to present consolidated Pillar III disclosures, as per Chapter 3, of Law 165(I)/2021 for the Prudential Supervision of Investment Firms. Consolidated figures are presented at the level of the parent company of TFI Markets Ltd.

1.1. Location and frequency of disclosure

The disclosures will be published on an annual basis. The Company in accordance with Part Six of Regulation 2019/2033 of the European Parliament and of the Council, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum. Thus, the disclosures are published on the Company's website at http://www.tfifx.com within five months after the financial year end.

2. Risk Management Framework and Governance

2.1. Governance arrangements

The main activities of the Company are the provision of (a) investment services related to derivative financial instruments and (b) payment services through its offices in Cyprus.

The number of directorships held by members of the Board of Directors (including the directorship held in the Company) is shown in the table below. Directorships within the same group of companies are counted as one.

Table 1: Directorships held by the Board of Directors

Name of Director	Position within TFI Markets	Directorships Executive	Directorships Non-Executive
Antis Kaplanis	Chairman and Non-Executive Director	1	3
Andros Karayiannis	Non-Executive Director	2	2
Maria Theodorou	Executive Director	1	-
Charis Charilaou	Executive Director	1	-
Aleksejs Sjarki*	Non-Executive Director	9	-
Ioannis Georgoulas	Non-Executive Director	0	3

*Mr. Aleksejs Sjarki is also a Non-Executive Director in TFI Markets Ltd. However, since it is an Executive director in another company within the same group is counted as an Executive Directorship.

2.2. Risk management structure

The Risk Management structure has remained unchanged throughout the year.

The Company is exposed to a variety of risks as analysed below. The Company's continuous aim is to reduce the risks to which it is exposed and this is demonstrated by the maintenance of effective processes in identification, assessment, monitoring and management of risks. All Company functions and specifically, accounting, back office, internal audit, compliance and risk management perform their duties in line with the set risk management procedures. These departments discharge their daily duties by working in tandem taking into account the nature, scale and complexity of the activities undertaken in the course of business, towards the objective of enhancing the Company's risk management monitoring and managing structure.

The Board of Directors is responsible for overseeing the operations of the Company. The Board of Directors ultimately approves the objectives and strategic direction of the Company and the Internal Procedures of the Company, as these are described in the Company's Internal Procedures Manual.

The internal control and risk management system is overseen by the following committees/units reporting directly to the Board of Directors: the four eyes, the Compliance Officer, the Risk Manager, the Internal Auditor, the Investment Committee, the Risk Management Committee and the Audit Committee.

The Four Eyes of the Company is a two member team consisting of the two executives of the BoD. The Four Eyes members are effectively directing the business of the Company and are jointly responsible for it. They report directly to the BoD.

The Risk Management (RM) Committee is dedicated primarily to managing the credit, market and operational risks of the Company, resulting from the Company's operations, and as part of its responsibilities it has to set out, approve and regularly update the policies, arrangements and procedures, which form the risk strategy, as well as to monitor all risks on an ongoing basis. The Risk Management Committee is consisted of the two Executive Directors and the Head of Compliance and Risk Management. Between 1st July 2020 and 30th June 2021, the RM Committee met 5 times.

The Audit Committee is made up of two non-executive directors. The purpose of the Audit Committee is to assist the Board in its oversight of:

1. The integrity of the Company's financial statements
2. The Company's compliance with regulatory requirements
3. The performance of the Company's Internal Audit Function

The Audit Committee meets at least twice per year. Between 1st July 2020 and 30th June 2021, the Audit Committee met 2 times.

The Investment Committee has as its main responsibility to develop and monitor the investment strategy, in view of economic conditions and any relevant factors, that has to be followed by the Company in its relevant activities. Between 1st July 2020 and 30th June 2021, the Investment Committee met 1 time.

The Remuneration Committee consists of two non-executive directors. The purpose of the Remuneration Committee is to advise the Board of Directors on the remuneration policies to be followed for the Executive Directors, Company Secretary and the Senior Management.

The Company's Internal Auditor is responsible for conducting independent reviews of the Company's departments and functions in order to ensure the Internal controls that are in place are being adhered to. The Internal Auditor reports to the Audit Committee.

The Compliance Officer is responsible for monitoring the day to day operations of the Company and the actions of its personnel. Its aim is to ensure the overall compliance of the Company with laws and relevant directives imposed by the CySEC and the Central Bank of Cyprus. The duties of the Compliance Officer include but are not limited to the following:

- Monitoring of the procedures for the prevention of money laundering and terrorist financing and receiving information about suspicious transactions

- Supervision of staff and activities to ensure adherence to the legislative framework that governs the Company and setting up of internal policies and procedures in order to enhance compliance where needed
- Continuous supervision and evaluation of Compliance mechanisms and presentation to the Board of Directors proposals for its improvement

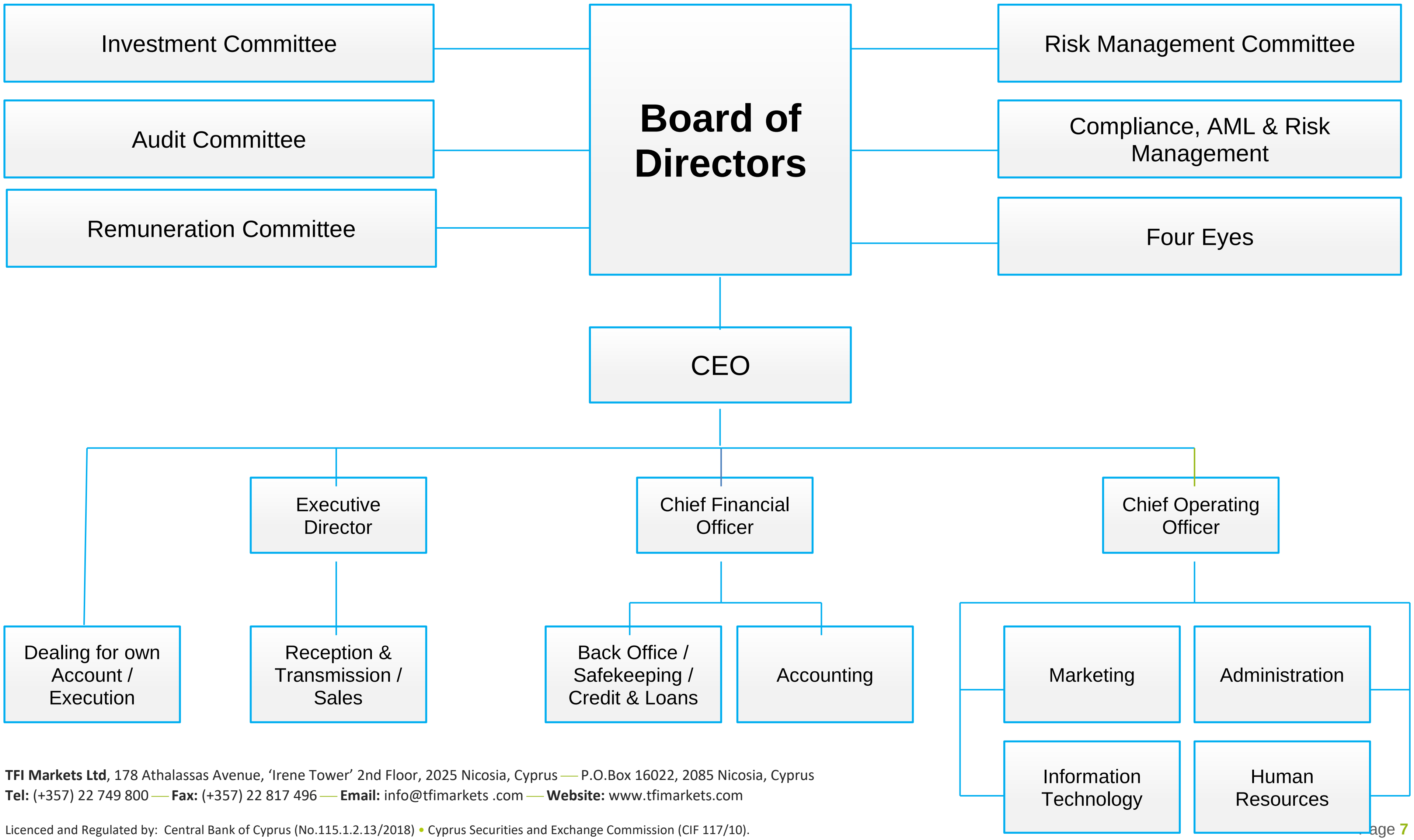
The Compliance Officer is also the appointed risk manager of the Company. In its role, the risk management function implements and maintains suitable risk management policies, approved by the Risk Management Committee, in order to identify and manage risks relating to the Company's activities, processes and systems. Furthermore, it sets appropriate tolerance levels for identified risks and ensures compliance to these by means of adequate and effective policies and procedures.

The Back Office is responsible for the daily check and reconciliation of transactions entered in the Company's systems, while the Accounting department is responsible for the correctness, accuracy and completeness of the accounting entries of all transactions.

The preparation and submission of the Company's Capital Adequacy reports are primarily the responsibility of the Chief Financial Officer whilst their continuous monitoring is performed in collaboration with the Risk Manager.

Clear reporting lines and responsibilities are specified through the Company's organizational structure, which can be found below:

Table 2: Organizational Structure



2.3. Board of Directors risk management declaration

The Board in its duty to oversee the Company's operations, is responsible for reviewing the effectiveness of the Company's risk management arrangements and controls, which are designed to manage risks.

The Board of directors considers that it has in place adequate systems and controls with regards to the Company's risk profile and strategy and appropriate mechanisms in order to avoid or minimise loss.

2.4. Board of directors risk statement

The Company generally maintains low risk appetite and this is demonstrated by the maintenance of effective processes in identification, assessment, monitoring and management of risks. A description of the main risks faced by the Company can be found below:

1. **Market Risk:** Market Risk is the risk of losses in on and off-balance-sheet positions arising from movements in market prices.

   The Company's main risk is fluctuations in P&L due to price movements in instruments belonging to the Trading Book. The main activities of the Company that expose it to market risk are market making and proprietary positions. Customers of the Company trade against the proprietary capital of the Company which results in long/short positions that expose the Company to risk.

   The Company generally maintains low levels of open FX positions. The Company has set limits for market risk which are monitored on a daily basis and breaches are reported to the Board of Directors.

2. **Credit Risk:** Credit Risk arises from the inability of counterparties to honour contractual obligations or the change in the credit premium that the market demands as an effect of the market perception of increased default risk.

   The main activity of the Company that exposes it to Credit Risk is the deposit of funds with banks and other liquidity providers and the provision of temporary credit to clients.

   The Company diversifies funds over highly rated institutions and assigns limits to each institution which are monitored on a daily basis. Important breaches of the limits are reported to the Board of directors.

   The Company has also defined limits for temporary credits provided to clients, which are monitored daily and breaches are reported to the Board of Directors.

3. **Operational Risk:** Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events.

   Operational risk is one of the major risks that the Company is facing where errors, fraud or disruptions of service can have monetary or reputational cost.

   The Company monitors operational risk through a range of controls which are designed for the early identification of operational risks. Also, the Company maintains and regularly updates a risk register, as part of the ICAAP process.

4. **Reputational Risk:** Reputational risk occurs when negative publicity arising from customers, counterparties, shareholders or regulators regarding the Company's business practices affects the Company's ability to maintain existing or establish new business relationships and leads to a loss of revenue or litigation.
   The Company is highly sensitive to what regards reputational issues and generally strives to keep customers satisfied, to maintain good relationships with other counterparties and to comply with all relevant laws and regulations.

5. **Liquidity Risk:** Liquidity Risk is the risk that the Company will not be able to meet its financial obligations.

   The Company's approach to this risk is to closely monitor liquidity and be aware, as far as possible, regarding future financial obligations, and ensure that it will have sufficient liquidity to meet its liabilities when they are due.

2.5. Policies for hedging and mitigating risk

The Company has various policies for hedging and mitigating risk, which govern its operations:

- Internal Procedures Manual
- Departmental Manuals
- Anti-Money Laundering and Terrorist Financing Manual
- Sanctions Compliance Policy
- Information Security Policy
- Password Protection Policy
- Backup Policy
- Business Continuity Plan
- Trading Book Policy
- Policy relating to Employees Personal Transactions
- Customer Complaint Policy
- Remuneration Policy
- Employees Handbook

The above manuals/policies are communicated to all relevant employees of the Company.

The above policies aim in identifying, assessing, managing and mitigating specific categories of risk. The Company has also defined exposure limits in order to daily monitor and manage market risk and credit risk. Reporting procedures and escalation procedures are in place in order to be able to identify and manage excessive risk taking.

2.6. Diversity Policy for the Selection of Members of the Management Body

The Company acknowledges the benefits of having a diverse Board, given its business activities and strategy it plans to follow. Diversity is based on skills, experience, knowledge and independence.

3. Pillar I - Capital Adequacy

The Capital Adequacy report is prepared on a consolidated basis at the level of the Parent Company of TFI Markets and the reporting currency is USD.

3.1. Company Own Funds

The Company maintains only Common Equity Tier I capital as eligible own funds. Own funds consist mainly of paid up Ordinary share capital and share premium on which audited current year profits are added and intangible assets are deducted.

Table EU IF CC1

	Common Equity Tier 1 (CET1) capital: instruments and reserves	Amount ($)
1	**OWN FUNDS**	5,733
2	**TIER 1 CAPITAL**	5,733
3	**COMMON EQUITY TIER 1 CAPITAL**	5,733
4	Fully paid up capital instruments	2
5	Share premium	10,179
6	Retained earnings	(2,078)
7	Accumulated other comprehensive income	-
8	Other reserves	-
9	Minority interest given recognition in CET1 capital	-
10	Adjustments to CET1 due to prudential filters	(2)
11	Other funds	-
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(2,259)
13	(-) Own CET1 instruments	-
14	(-) Direct holdings of CET1 instruments	-
15	(-) Indirect holdings of CET1 instruments	-
16	(-) Synthetic holdings of CET1 instruments	-
17	(-) Losses for the current financial year	(112)
18	(-) Goodwill	(2,000)
19	(-) Other intangible assets	(147)
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-
23	(-) CET1 instruments of financial sector entites where the institution does not have a significant investment	-
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-
25	(-)Defined benefit pension fund assets	-

26	(-) Other deductions	-
27	CET1: Other capital elements, deductions and adjustments	(109)
28	**ADDITIONAL TIER 1 CAPITAL**	-
29	Fully paid up, directly issued capital instruments	-
30	Share premium	-
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-
32	(-) Own AT1 instruments	-
33	(-) Direct holdings of AT1 instruments	-
34	(-) Indirect holdings of AT1 instruments	-
35	(-) Synthetic holdings of AT1 instruments	-
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-
38	(-) Other deductions	-
39	Additional Tier 1: Other capital elements, deductions and adjustments	-
40	**TIER 2 CAPITAL**	-
41	Fully paid up, directly issued capital instruments	-
42	Share premium	-
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-
44	(-) Own T2 instruments	-
45	(-) Direct holdings of T2 instruments	-
46	(-) Indirect holdings of T2 instruments	-
47	(-) Synthetic holdings of T2 instruments	-
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-
50	Tier 2: Other capital elements, deductions and adjustments	-

Table EU IF CC2

		Balance sheet ($)	Under regulatory scope of consolidation ($)	Cross reference to EU IF CC1
		As at period end	As at period end	
Assets - *Breakdown by asset classes*				
1	Intangible Assets	147	147	19
2	Goodwill	2,000	2,000	18
3	Investor Compensation Fund	109	109	27
4	Other Assets	6,512	-	-

	Total Assets	8,768	2,256	
Liabilities - *Breakdown by liability classes*				
1	Liabilities	777	-	
	Total Liabilities	777	-	
Shareholders' Equity				
1	Fully paid up capital instruments	2	2	4
2	Share premium	10,179	10,179	5
3	Retained earnings	(2,078)	(2,078)	6
4	Losses for the current financial year	(112)	(112)	17
	Total Shareholders' equity	7,991	7,991	

3.2. Own funds requirements

The Own funds requirements for the Company is calculated as the highest of the following:

(a) The K-Factor requirement, as described in section 3.2.1

(b) The Fixed Overheads Requirement, as described in section 3.2.2

(c) the permanent minimum capital requirement, as defined in Article 9 of Directive 2034/2019. The permanent minimum capital for the Company is EUR 750,000.

3.2.1 K-Factors

The K-factors are a series of risk parameters/indicators representing specific risks the Company faces. The K-factors are divided into 3 main categories:

(a) Risk to Client (RtC) K-factors: they are proxies for the business areas of the Company from which harm to clients can manifest as problems that will impact the Company's own funds. Within this risk class, four K-factors have been identified:

1. Client assets under discretionary portfolio management and nondiscretionary advisory of an ongoing nature (K-AUM): This captures the risk of harm to clients from the poor management or execution of client portfolios – This risk is not applicable to the Company's operations.
2. Client assets safeguarded and administered (K-ASA): This K-factor ensures that the Company holds capital in proportion to such assets, regardless of whether safeguarding and administration is done by the Company or has been assigned to a third-party. This risk is not applicable to the Company's operations.

3. Client Money held (K-CMH): This captures the risk of harm where the Company holds clients money. This risk is applicable to the Company.
4. Client Orders Handled (K-COH): This captures the risk to clients of the Company when it executes orders in the names of clients. This risk is not applicable to the Company's operations.

(b) Risk to Market (RtM) K-factors apply to companies with a trading book, that deal on their own account or on behalf of clients. RtM is calculated using the Net position risk K-factor (K-NPR). This measure follows the standardised market risk rules set out under the Capital requirements regulation (CRR). Market Risk is the risk of losses in on and off-balance-sheet positions arising from changes in market prices. The Company is also exposed to Interest Rate Market risk, which is the risk that arises from adverse movements in interest rates.

(c) Risk to Firm (RtF) K-factors are only applicable to companies that deal on own account. There are three RtF K-Factors, which are all applicable to the Company:

1. Trading Counterparty Default (k-TCD): This captures the risk by counterparties concerning some types of transactions defined by the regulation
2. Daily Trading Flow (K-DTF): This K-factor captures the operational risks the Company faces when executing large volumes of trades either for its own account or for clients in its own name, which could result from inadequate or failed internal processes, people, systems or external events.
3. Concentration risk (K-CON): Is the risk from individual or highly connected counterparties where the Company has an exposure greater than 25% of its own funds or, for exposures to institutions and investment firms, 100% of its own funds.

The K-Factor Own Funds Requirements are presented in the below table in aggregate form:

Table 3: K-Factor Category	**Own funds Requirement**
Risk to Client (RtC)	34
Risk to Market (RtM)	242
Risk to Firm (RtF)	848
Total	**1,124**

3.2.2 Fixed Overheads

The Fixed Overheads requirement amounts to one quarter of the fixed overheads of the preceding year. Fixed overheads do not include the following:

(a) staff bonuses and other remuneration, to the extent that they depend on the net profit of the investment firm in the respective year;

(b) employees', directors' and partners' shares in profits;

(c) other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary;

(d) shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent on the actual receipt of the commission and fees receivable;

(e) fees to tied agents;

(f) non-recurring expenses from non-ordinary activities.

(g) fees, brokerage and other charges paid to central counterparties, exchanges and other trading venues and intermediate brokers for the purposes of executing, registering or clearing transactions, only where they are passed on and charged to customers. These shall not include fees and other charges necessary to maintain membership or otherwise meet loss-sharing financial obligations to central counterparties, exchanges and other trading venues;

(h) interest paid to customers on client money, where there is no obligation of any kind to pay such interest;

(i) expenditures from taxes where they fall due in relation to the annual profits of the investment firm;

(j) losses from trading on own account in financial instruments;

(k) payments related to contract-based profit and loss transfer agreements according to which the investment firm is obliged to transfer, following the preparation of its annual financial statements, its annual result to the parent undertaking.

(l) payments into a fund for general banking risk in accordance with Article 26(1)(f) of Regulation (EU) 2013/575;

(m) payments into a fund for general banking risk in accordance with Article 26(1)(f) of Regulation (EU) 2013/575;

The Fixed Overheads requirement for the Company is equal to $703k.

4. Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations. Liquidity 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's approach to this risk is to closely monitor liquidity in real time and be aware, as far as possible, regarding future financial obligations, and ensure that it will have sufficient liquidity to meet its liabilities when they are due.

According to Article 43 of Regulation 2033/2019, the Company is obliged to hold an amount of liquid assets equivalent to at least one third of the fixed overheads requirement.

5. Concentration Risk

Concentration Risk is the risk of having an exposure or group of exposures which can potentially produce losses large enough to threaten the Company's health or its ability to maintain its core operations. The Company monitors closely its concentration to certain clients, counterparties, countries, sectors and takes the necessary steps to ensure that such risks are mitigated.

6. Pillar II risks and Internal Capital Adequacy Assessment Process (ICAAP)

As per the requirements of Chapter 2, Part A of Law 165(I)/2021, the Company shall have in place sound, effective and complete strategies and processes to assess the distribution of internal capital in order to cover the nature and level of the risks which it is or might be exposed to. As a result, the Company prepares and updates its ICAAP report on an annual basis. The ICAAP is designed and implemented in the following steps:

1. Identification and articulation of future business plans and objectives
2. Procedure for identification and assessment of risks before and after internal controls
3. Aggregation of identified risks
4. Assessment of the impact of stress test scenarios on forecasted capital plan
5. Capital allocation in accordance with the profile of the risks identified and in line with stress test results

The ICAAP is clearly owned and approved by the Company's Board of Directors.

Given the low complexity of the Company's operations and its relatively small size, the Company follows the Minimum Capital Requirement Approach, where the Company uses the Pillar 1 minimum capital requirement as foundation and assesses the following categories of risks, determines their risk profile and sets additional measures for their mitigation:

i. Pillar 1 risks
ii. Risks not fully covered by Pillar 1
iii. Risks not covered in Pillar 1

7. Remuneration Policy and Practices

TFI Market's Remuneration Policy is determined by the Remuneration Committee which consists of 2 non-executive directors of the Company. The Company's Board of Directors is responsible for overseeing the Policy's implementation which is applicable to all risk taker employees of the Company.

The Company organizes annual appraisals for all employees as well as monthly appraisals for the employees who are entitled to performance related remuneration. These appraisals include both qualitative and quantitative criteria which are used to confirm the quality of service provided and work performed before any release of Variable and Performance Related Remuneration. Monthly reports are also prepared for each employee and the Company as a whole, to ensure that Performance and Variable Remuneration compared to Fixed Remuneration is within the thresholds and appropriate Ratios of the Company's Remuneration Policy and the applicable Law.

Any Variable and Performance Related Remuneration is discretionary upon satisfaction of all the criteria set out in the Remuneration Policy. Moreover, such Remuneration is also subject to Clawback for up to 100% in cases of incompliance of the affected Employees with the Company's Rules and Policies. In addition, to the above any Variable and Performance Related Remuneration is deferred for such a period as to ensure compliance with the Policy.

Retirement Benefit Schemes

The Company operates a defined contribution scheme, the assets of which are held in a separate fund. The scheme is funded by contributions by both the employees and the Company.

Remuneration for 2021

The remuneration of the Senior Management and members of staff whose actions have a material impact on the risk profile of the Company, is shown in the following tables:

Table 4: Remuneration analysis split by Senior Management and other risk takers				
01/07/2020-30/06/2021	**Number of beneficiaries**	**Fixed Remuneration**	**Variable Remuneration**	**Aggregate Remuneration**
		$000	**$000**	**$000**
Senior Management*	9	556	19	575
Other Staff	4	193	13	206
Total	**13**	**749**	**32**	**781**

** Senior Management personnel includes the Board of Directors, CFO, COO and Head of Compliance & Risk Management*
*** Other Staff includes the Heads of Departments whose actions have a material impact on the risk profile of the Company*

Notes:

During the financial period examined:

1. The variable remuneration paid by the Company was entirely in the form of cash.
2. The variable component did not exceed 100% of any employee's fixed component of total remuneration.
3. The Company did not pay or award any sign-on or severance payments.
4. No remuneration was paid or was awarded under deferral arrangements (with vested or unvested portions)

Furthermore, aggregate remuneration analyzed by business area is presented below:

Table 5: Aggregate Remuneration analysis split by business area	
01/07/2020-30/06/2021	**Aggregate Remuneration**
	$000
Control Functions*	399
Non-Executive Directors	18
Other Functions**	1,155
Total	**1,572**
** Include the Executive Directors and Compliance Department* *** Include the CFO, COO, Dealing of Own Account/Execution/Treasury Department, Reception & transmission/Sales Department, Back Office Department and Information Technology Department*	

Moreover, companies are required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of Euro 1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Company that are remunerated Euro 1 million or more per financial year and as such the above disclosure is not applicable to the Company.

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors of the Company comprises of a fixed annual fee and additionally, fees based on the time devoted in Board meetings and other Committees of the Company.

Between 01/07/2020 – 30/06/2021 and as per above, the total remuneration to Non-Executive Directors amounted to $18,005.