



Disclosure and Market Discipline 2023



Contents

1.1. Pillar III Regulatory Framework	3
1.2. Location and frequency of disclosure	4
1.3. Russian invasion to Ukraine	4
2.1. Governance arrangements.....	4
2.2. Risk management structure	5
2.3. Board of Directors Risk Appetite Statement	9
2.4. Policies for hedging and mitigating risk.....	9
2.5. Diversity Policy for the Selection of Members of the Management Body.....	9
3. Pillar I - Capital Adequacy	10
3.1. Company Own Funds.....	11
3.2. Own funds requirements.....	14
3.2.1 K-Factors.....	14
3.2.2 Fixed Overheads Requirement.....	18
4. Other Risks.....	19
4.1. Liquidity Risk.....	19
4.2. Regulatory Risk.....	19
4.3. Business Risk.....	19
4.4. Political Risk.....	20
5. Pillar II risks and Internal Capital Adequacy & Risk Assessment Process (ICARA).....	20
6. Remuneration Policy and Practices.....	21
6.1. Retirement Benefit Schemes.....	21
6.2. Variable vs Fixed Remuneration.....	21
6.3. Remuneration for 2023	21
Appendix I – Main Features of Own Funds	23



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. In November 2021, the Company established a Branch in Greece. In July 2023, the Company has been granted the license to operate as an Electronic Money Institution by the Central Bank of Cyprus under license number 115.1.3.52. The Company is expected to renounce the Payment Institution license and activate the Electronic Money Institution license in December 2023.

The main activities of the Company are the provision of (a) investment services related to derivative financial instruments i.e., trading of contracts for differences (“CFDs”) and (b) payment services through its offices in Cyprus. More specifically, in terms of the investment activities, the Company has the license to provide the following investment and ancillary services:

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. Dealing on own account.

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.

1.1. Pillar III Regulatory Framework

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.

Since 26 June 2021, the Company, as the majority of EU investment firms, has been subject to the capital adequacy and overall risk management requirements that arise from the investment firm European prudential framework, which consists of EU Regulation 2019/2033 on the prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”), as the latter has been harmonized into local legislation through the issuance of the Law for the Prudential Supervision of Investment Firms (165(I)/2021).



The IFR and IFD rules focus on specific methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and the Liquidity Requirement, among others. The report is prepared on a Solo basis and the information disclosed relates to the reference date 30th June 2023.

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.

1.2. Location and frequency of disclosure

The disclosures are published on an annual basis, in accordance with the provisions of Part Six of the IFR. To this end, they are uploaded on the Company’s website at <http://www.tfifx.com> within five months after the financial year end.

1.3. Russian invasion to Ukraine

The impact of the Russian invasion to Ukraine on the Company’s operations, capital adequacy and/or the funds held on own account or on behalf of its clients was minor. The Company has taken all necessary steps to mitigate the risks arising from the sanctions imposed, such as restrictions in acceptance of clients and scrutiny on clients and potential clients with ties to Russia and Belarus. Having said the above, TFI Markets Ltd confirms that it does not have any legal relationships or dealings with any of the persons and/or entities listed in the EU Council's Restrictive Measures and other sanctions against Russia.

2. Risk Management Framework and Governance

2.1. Governance arrangements

The Company is governed by the Board of Directors (“BoD”) which consists of a chairman, two executive directors and three non-executive directors. The BoD is responsible for overseeing the operations of the Company. The BoD 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 number of directorships held by members of the BoD (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 (BoD)¹			
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 ²	Non-Executive Director	20	-
Ioannis Georgoulas	Non-Executive Director	-	4

Notes:

¹The information in this table is based only on representations made by the directors of the Company at the time of preparation of the disclosure.

²Mr. Aleksejs Sjarki is also a Non-Executive Director in TFI Markets Ltd. However, since he is an Executive director in another Company within the same group, it is counted as an Executive Directorship. The same approach is followed for similar cases in other groups.

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 the identification, assessment, monitoring and management of risks. All Company Control 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 internal control and risk management system is overseen by the following committees/units reporting directly to the BoD: 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 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 RM Committee consists of the two Executive Directors and the Head of Compliance and Risk Management. Between 1st July 2022 and 30th June 2023, the RM Committee met 5 times.

Moreover, 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.

Furthermore, 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.

The purpose of the Remuneration Committee is to advise the BoD 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 that the necessary 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. The aim of the Compliance Officer 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 BoD of 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 RM 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.



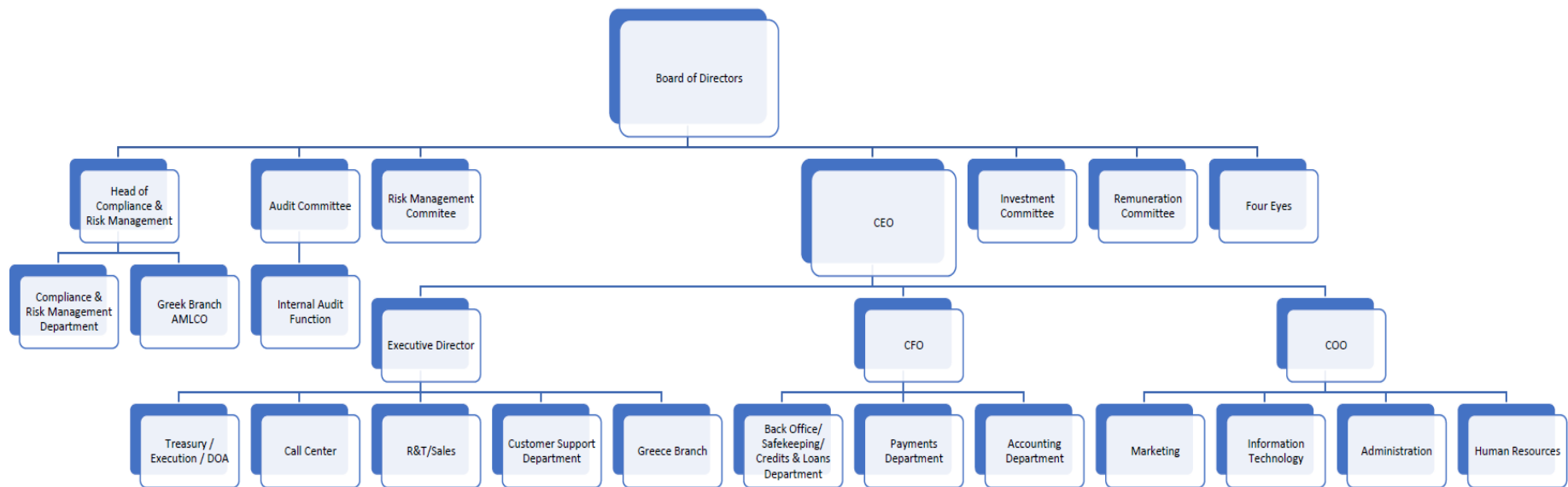
The Back Office is responsible for the daily check and reconciliation of transactions entered in the Company's systems, while the Accounting department is responsible for the correctness, accuracy and completeness of the accounting entries of all transactions.

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



TFI Markets Ltd, 27 Pindarou, Alpha Business Centre, Block A, 3rd floor, Office 301, 1060 Nicosia, Cyprus — P.O.Box 16022, 2085 Nicosia, Cyprus
Tel: (+357) 22 749 800 — **Fax:** (+357) 22 817 496 — **Email:** info@tfimarkets .com — **Website:** www.tfimarkets.com

Licensed and Regulated by: Central Bank of Cyprus (No.115.1.2.13/2018) • Cyprus Securities and Exchange Commission (CIF 117/10).



2.3. Board of Directors Risk Appetite Statement

The Company pursues its strategic and business objectives while monitoring the risks to which it is exposed, so that they are within the predefined risk tolerance levels. According to the IFR/IFD prudential framework, the main risks that investment firms are subject to are classified into three categories: Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF'). Also, the Company is exposed to Liquidity Risk, Regulatory Risk, Business Risk and Political Risk. All these risks are discussed in further detail below.

2.4. 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.

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

The Company is committed to fostering a diverse and inclusive environment within the organisation. Diversity of beliefs, experience and background is essential for driving innovation, ensuring effective decision-making, and achieving the Company's strategic objectives. This Diversity Policy outlines commitment to diversity within the BoD.

The primary objective of this policy is to promote diversity and inclusiveness among the BoD, ensuring a broad spectrum of perspectives and expertise to enhance the quality of governance and strategic leadership in the following ways:



1. **Commitment to diversity** is dedicated to maintaining a BoD that reflects a wide range of backgrounds, skills, and experiences. The Company recognizes that diversity encompasses a variety of dimensions, including but not limited to gender, age, race, ethnicity, nationality, religion, disability, sexual orientation, and professional experience.
2. **Inclusive Selection Process** ensures that the selection process for the BoD considers and promotes diversity, by seeking out candidates from underrepresented groups and by assessing potential board members based on their qualifications, experience, and commitment to their values.
3. **Equal Opportunity**: The Company is committed in providing equal opportunities to all candidates, irrespective of their background. Discrimination and bias will not be tolerated in the board member selection process.
4. **Board Composition** will strive to achieve and maintain a balanced representation of diversity within the BoD. While the Company does not impose specific quotas, it will actively work towards ensuring that the Board includes a range of individual perspectives.
5. **Regular Review**: The BoD will periodically assess the effectiveness of this Diversity Policy and take actions to address any identified gaps in achieving diversity and inclusiveness goals.

3. Pillar I - Capital Adequacy

The Capital Adequacy report is prepared on a solo basis and the reporting currency is USD. The Company is a Class 2 CIF based on the relevant provisions of the IFR and is therefore subject to the full scope of prudential requirements that arise from the IFR & IFD framework.

The Capital Adequacy ratio of the Company for the financial year end 30th June 2023 was calculated at 583.25%, which is above the 100% minimum Pillar I Capital Adequacy Ratio, with a capital surplus of \$3,938('000) under the fully-phased calculation, as presented in the table below:

Table 3: Capital Excess/Ratio		
	30 June 2023 \$('000)	Reference
Capital		
Common Equity Tier 1	4,753	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	4,753	a
Own Funds Requirement		
K-factor Requirement	747	b
Fixed Overhead Requirement	707	c
Permanent Minimum Capital Requirement	815	d
Minimum Own Funds Requirement	815	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	3,938	a-e
Capital Ratio	583.25%	a/e



3.1. Company Own Funds

As per the rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

- a) Common Equity Tier 1 Capital of at least 56% of Own Funds Requirements.
- b) Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
- c) Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirements.

The Company maintains only Common Equity Tier 1 capital as eligible Own Funds. The total Own Funds of the Company as of 30th June 2023 amounted to \$4,753 ('000) and are presented more analytically in the table that follows:

Table 4: EU IF CC1.01 - Composition of regulatory Own Funds			
Common Equity Tier 1 (CET1) capital: Instruments and reserves		Amount \$('000) as at 30/06/2023	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements (cross reference to EU IF CC2)
1	OWN FUNDS	4,753	
2	TIER 1 CAPITAL	4,753	
3	COMMON EQUITY TIER 1 CAPITAL	4,753	
4	Fully paid-up capital instruments	3	Ref. 1 (Shareholders' Equity)
5	Share premium	7,397	Ref. 2 (Shareholders' Equity)
6	Retained earnings	(2,177)	Ref. 3 (Shareholders' Equity)
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	(3)	Ref. 3 (Assets) & Ref. 1 (Liabilities)
11	Other funds	-	
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(467)	
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	(334)	Ref. 3 (Shareholders' Equity)
18	(-) Goodwill	-	
19	(-) Other intangible assets	(29)	Ref. 1 (Assets)
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 entities 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	(104)	Ref. 2 & Ref. 4 (Assets)
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	-	

A reconciliation between the Company's audited Balance Sheet and its regulatory Own Funds calculation is provided in the table that follows:



Table 5: EU IF CC2 - Own Funds: Reconciliation of regulatory Own Funds to Balance Sheet in the audited financial statements

Balance Sheet as in audited financial statements		Amount \$('000) as at 30/06/2023	Cross reference to EU IF CC1
Assets			
1	Intangible assets	29	Ref. 19
2	Investor Compensation Fund	99	Ref. 27
3	Derivatives financial instruments	2,505	Ref. 10
4	Cash and cash equivalents – 3 per thousand ICF buffer	4	Ref. 27
5	Other non-current assets	360	
6	Other current assets	7,484	
7	Total Assets	10,481	
Liabilities			
1	Non-current liabilities	191	
2	Derivatives financial instruments	2,316	Ref. 10
3	Other current liabilities (other)	3,085	
4	Total Liabilities	5,592	
Shareholders' Equity			
1	Share capital	3	Ref. 4
2	Share premium	7,397	Ref. 5
3	Reserves	(2,511)	Ref. 6 & Ref 17
4	Total Shareholders' Equity	4,889	

3.2. Own funds requirements

Under the IFR & IFD framework, Class 2 investment firms are required to derive their Minimum Capital Requirements by taking the highest of the following three parameters:

- (a) The K-Factor requirement, as described in section 3.2.1 of this Report,
- (b) The Fixed Overheads Requirement (“FOR”), as described in section 3.2.2 of this Report, and
- (c) The Permanent Minimum Capital Requirement (“PMCR”), which corresponds to the initial capital requirement of the Company as defined in Article 9 of the IFD and for the year ended 30 June 2023 amounted to \$815 ('000).

3.2.1 K-Factors

The K-factors are a series of risk parameters/indicators representing specific risks that 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 are being identified:

1. Client assets under discretionary portfolio management and non-discretionary investment advisory of an ongoing nature (K-AUM): This captures the risk of harm to clients from the poor management or execution of clients' portfolios. This risk was not applicable to the Company for the year ended 30 June 2023 since it did not offer such services to its clients.
2. Client assets safeguarded and administered (K-ASA): This K-factor ensures that the Company holds capital in proportion to client assets under custody, regardless of whether safeguarding and administration is done by the Company or has been assigned to a third-party. For the year ended 30 June 2023 this risk was not applicable to the Company since it did not safeguard any client financial instruments. (Note: The provision of custody services in relation to clients' positions in CFDs is considered to fall under K-CMH due to the inherent nature of CFD contracts).
3. Client Money Held (K-CMH): This captures the risk of harm where the Company holds clients' money under custody, considering whether they are on its own balance sheet or in third-party accounts and whether arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. This risk is applicable to the Company for the financial year end 30/06/2023. 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 and are classified as "segregated client funds" in accordance with the CySEC regulatory requirements.

Risk Mitigation Measures: The Company has an appointed Safekeeping officer in charge to ensure that clients' funds are segregated from the Company's proprietary funds at all times as per the requirements of the regulator. The Safekeeping officer is responsible for the daily reconciliation between clients' accounts and balances, ensuring that the relevant adjustment between clients' accounts and own accounts is carried out as appropriate.

4. Client Orders Handled (K-COH): This captures the risk to clients of the Company when it executes orders in the name of clients, by acting on their behalf and without taking any proprietary position in the course of executing their orders. This risk is not applicable to the Company's operations, since the Company is executing its clients' orders by acting as principal to their trades.

(b) Risk to Market (RtM) K-factors: These apply to companies with a Trading Book, that deal on their own account or on behalf of their clients, as well as to the Banking Book business in relation to foreign exchange and commodity risk. RtM is calculated using the following factors:



1. **Net Position Risk (K-NPR):** This measure follows the Market Risk rules under the Standardised Approach set out in Regulation (EU) No. 575/2013 (“CRR”). Market Risk is the risk of losses in on and off-balance-sheet positions arising from changes in market prices. The Net Position Risk K-factor is applicable for the Company for the foreign exchange factor, which arises from any Company assets and liabilities that are denominated and funded in foreign currencies, as well as from the open CFD positions of the Company which as of 30 June 2023, related entirely to FX products.

In addition, the Company incurs Market Interest Rate Risk as a result of its open FX CFD positions, which generate General Interest Rate Risk under the Standardised Approach of the CRR.

Risk mitigation measures: The Company’s management monitors the exchange and interest rate fluctuations on a continuous basis and acts accordingly. In addition, as part of the end of day procedure, the accounting department is in charge to check the closing foreign exchange rates according to the independent information on FX rates collected from the Company’s MT4 platform. Furthermore, Market Risk is managed and monitored through the setting of position limits and loss limits. Any limit violations are disclosed in the end of year reports.

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, United Kingdom Pound, Hungarian Forint, Japanese Yen and Swiss Franc. Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company’s functional currency. The Company’s Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

2. **Clearing Margin Given (K-CMG):** This is an alternative to K-NPR to provide for Market Risk for trades that are subject to clearing as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. Bearing in mind that the Company’s trading activities consist exclusively of Over-The-Counter (“OTC”) trading in CFDs, this K-factor is not applicable to the Company.

(c) Risk to Firm (RtF) K-factors: They capture an investment firm’s exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its Trading Book exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF). There are three RtF K-Factors, all of which are applicable to the Company:

1. **Trading Counterparty Default (k-TCD):** This captures the risk of losses arising from the default of a counterparty with which a Company maintains open Trading Book positions in derivatives and other specified transactions and includes positions with both clients and liquidity providers.



Risk Mitigation Measures: Acceptable trading counterparties for the Company are only (a) the company's client base and (b) counterparties approved by the RM Committee. The head of the Dealing on Own Account ("DOA") department is responsible for ensuring that any deposits/funds held by any counterparty do not exceed the counterparty credit limits set out by the RM Committee, for combined client accounts and Company account balances, and that any Company funds and exposures held by any counterparty do not exceed the large exposures (i.e. k-CON) limit.

The RM Committee approves the exposure levels for all counterparties where the Company or its clients are exposed to Counterparty Credit Risk. For each counterparty to be approved, the Risk Manager must submit to the RM Committee his/her recommendations which are based on the creditworthiness of the counterparty and its reputation. The counterparties and respective credit limits are reviewed and approved by the RM Committee at least on a yearly basis.

2. **Daily Trading Flow (K-DTF):** This K-factor captures the operational risks the Company faces when executing 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. This K-factor is applicable to the Company based on the services provided and its role in the clients' trade execution process, as previously explained.

Risk mitigation measures: The DOA department continuously evaluates its risk position and maintains or covers such risk within the discretion of each individual trader that the risk is assigned to, provided that all risk appetite parameters set out by the RM Committee and communicated in writing to the head of the DOA department are satisfied.

3. **Concentration Risk (K-CON):** Is the risk from an individual client, counterparty or issuer together with its connected persons, with/towards which the Company maintains one or more Trading Book exposures that cumulatively exceed 25% of its Own Funds or, for exposures towards banks and investment firms, the maximum between EUR 150 million and 25% of its Own Funds, but capped to 100% of its Own Funds. K-CON was applicable to the Company for the financial year ended 30 June 2023, in relation to the clients/counterparties with which it maintained its open positions in FX CFDs. However, no capital requirements for this factor were incurred, since the Company's cumulative exposure to each such party, on a connected basis, did not exceed the applicable k-CON limits.

Risk Mitigation measures: The Company monitors closely its concentration to certain clients, counterparties, countries and sectors and takes the necessary steps to ensure that such risks are mitigated.



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

Table 6: K-Factor Requirements	
K-Factor Category	Own funds Requirement 30/06/2023 \$('000)
Risk to Client (RtC)	25
Risk to Market (RtM)	211
Risk to Firm (RtF)	511
Total	747

3.2.2 Fixed Overheads Requirement

The Fixed Overheads Requirement amounts to one quarter of the fixed overhead expenses of the preceding year. Fixed overheads do not include the following items:

- 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 the CRR;
- m) expenses related to items that have already been deducted from own funds in accordance with Article 36(1) of the CRR.

The Fixed Overheads Requirement of the Company for the financial year end 30 June 2023 amounted to \$707 ('000).



4. Other Risks

4.1. Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations that are settled by delivering cash or other financial assets. Liquidity risk 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 the IFR and the Liquidity Requirement, the Company is obliged to hold an amount of liquid assets equivalent to at least one third of its Fixed Overheads Requirement. As of 30 June 2023, the Company's liquid assets amounted to \$6,863 ('000), which satisfied the Liquidity Requirement of \$236 ('000).

4.2. Regulatory Risk

Regulatory Risk is the risk that may arise if a change in regulations occurs, negatively affecting the business of the Company. Also, Regulatory Risk may arise when a company does not comply with the applicable regulatory requirements.

TFI Markets acknowledges the fact that it is exposed to Regulatory Risk, since it operates in a highly regulated industry. This exposes the Company mainly to financial loss due to fines, tax penalties and money-laundering activities.

The Company is exposed to Compliance Regulatory Risk which arises from the failure to comply with the Firm's regulators, approved practices and ethical standards. In order to avoid any monetary penalties and reputational risk, TFI Markets maintains a full-time compliance department and uses reputable Internal Auditors. The staff attends regular training and is constantly informed of their individual and the Company's regulatory requirements.

Moreover, TFI Markets in order to avoid the Anti-Money Laundering risk and any regulatory sanctions and/or any loss of reputation and/or loss of counterparties, has established a comprehensive AML control structure.

4.3. Business Risk

Business Risk may arise as a result of a number of factors, including among others, reductions in the volume of trades, high costs, competition, reputation, and new laws and regulations. The Company is exposed to Business Risk through the failure to provide economic benefits to the stakeholders.

Therefore, the Company's budgets are prepared and monitored closely. Meanwhile, current and future economic conditions are taken into account when preparing budgets. The Senior Management is also responsible of supervising the implementation of TFI Markets strategy in every department. Due to the



abovementioned, daily reports are being addressed to Management for monitoring the performance of the business. Also, one of the most significant Business risks that the Company is exposed to, is Competition risk. This risk may arise mainly due to competition from EMIs/PIs/Credit Institutions/IFs and the inability of the Company to anticipate change in its external environment. TFI Markets mitigates this risk by updating its product continuously through the addition of new features and by adopting a strategy of expanding its operations to other countries.

4.4. Political Risk

Political risk arises in situations when there are unfavourable political conditions, in situations when there is new legislation/taxation, when the Company is under the threat of terrorism or when operating in an area with political problems.

The Company is exposed to the risk where politics and laws of the countries where it or its clients operate affects the Company's business activities. TFI Markets' aim is to create a strategy which will gradually diversify its client base/operations geographically.

5. Pillar II risks and Internal Capital Adequacy & Risk Assessment Process (ICARA)

As per the requirements of Chapter 2, Part A of the Law, the Company shall have in place sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that it considers adequate to cover the nature and level of risks which it may pose to others and to which itself is or might be exposed. As a result, the Company prepares and updates its ICARA report on an annual basis. The ICARA is designed and implemented in the following steps:

- I. Identification and articulation of future business plans and objectives
- II. Procedure for identification and assessment of risks before and after internal controls
- III. Aggregation of identified risks
- IV. Assessment of the impact of stress test scenarios on forecasted capital and liquidity plan
- V. Allocation of capital and liquid assets in accordance with the profile of the risks identified and in line with stress test results. “

The ICARA is clearly owned and approved by the Company's BoD. The latest ICARA report of the Company was finalised during January 2023.

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 I 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 I risks;
- ii. Risks not fully covered by Pillar I;
- iii. Risks not covered in Pillar I.



6. Remuneration Policy and Practices

TFI Market's Remuneration Policy is determined by the Remuneration Committee. The Company's BoD 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.

6.1. 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.

6.2. Variable vs Fixed Remuneration

In accordance with the Remuneration Policy of the Company, Variable and Performance-Related remuneration shall not be higher than 100% of the estimated annual Fixed Remuneration per employee, unless in exceptional cases where it can increase up to 200% subject to approval by the shareholders and the Remuneration Committee, and notification of CySEC.

6.3. Remuneration for 2023

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 7: Remuneration analysis split by Senior Management and other risk takers				
01/07/2022-30/06/2023	Number of beneficiaries	Fixed Remuneration³	Variable Remuneration	Aggregate Remuneration
		\$000	\$000	\$000
Senior Management ¹	9	491	37	528
Other Staff ²	7	253	55	308
Total	16	744	92	836

Notes:

1. Senior Management personnel includes the Executive & Non- Executive members of the BoD, the CFO, the COO and the Head of Compliance & Risk Management.



2. *Other Staff includes the Heads of Departments whose actions have a material impact on the risk profile of the Company, which consist of the Head of Treasury, Reception & Transmission/Sales, Customer Support, Back Office, Payments and the IT Department, as well as the manager of the branch in Greece.*
3. *The fixed remuneration presented in this table includes only medical and provident fund from the employer's contribution which is in line with the Company's Remuneration Policy.*
4. *The variable remuneration paid by the Company during the year was entirely in the form of cash.*
5. *The variable component did not exceed 100% of any employee's fixed component of total remuneration for the year.*
6. *The Company did not pay any severance payments during the year, that were awarded in the year or in previous periods.*
7. *No guaranteed variable remuneration was awarded during the year.*
8. *The remuneration of the Non-Executive Directors of the Company comprises of a fixed annual fee.*
9. *The Company benefits from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034.*

Moreover, the Company has a policy to defer variable remuneration by one month. The following table provides the amounts of deferred variable remuneration awarded for the previous as well as for the current performance period, split into the amount due to vest in the referenced financial year and the amount due to vest in subsequent years, broken down by senior management and other staff whose professional activities had a material impact on the risk profile of the Company for the year in question. There was no deferred remuneration that was due to vest in, and was paid out during the financial year, that was reduced through performance adjustments.

Table 8: Deferred variable remuneration split by Senior Management and other risk takers		
01/07/2022-30/06/2023	Awarded in the previous financial year (ended 30/06/2022) and paid in the financial year ended 30/06/2023	Awarded in this year (ended 30/06/2023) that will be paid in the next financial year ending 30/06/2024
	\$	\$
Senior Management	2.003	1.898
Other Staff	2.545	3.824
Total	4.548	5.722



Appendix I – Main Features of Own Funds

Table 9: EU IF CCA: Own Funds: Main features of own instruments issued by the Company		
1	Issuer	TFI Markets Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (\$, as of most recent reporting date)	3.009
7	Nominal amount of instrument	3.009
8	Issue price	\$1 each
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	10/08/2009 – 3.000 08/10/2009 - 1 21/02/2011 - 2 05/02/2019 - 4 03/01/2020 - 1 06/02/2020 - 1
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	No
23	Non-cumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A



31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A