Regulated by the FCA – Licence No. 777911

MIFIDPRU 8 DISCLOSURES REPORT 2022

April 2023

Contents

1. Introduction

As a MIFIDPRU Investment Firm, **Exinity UK Ltd** (the 'Company', 'Firm' or 'Exinity') is obliged to publicly disclose qualitative and quantitative information that are appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities.

The provisions for public disclosure are set out in MIFIDPRU 8 and this document has been produced in order to meet the disclosure obligations of Exinity. The disclosures are produced annually and are available on the Company's website as indicated below:

a) https://www.forextime.com/eu

1.1. Business Overview

The Company was incorporated in the United Kingdom as a private liability company with registration number 10599136 and it is authorised by the Financial Conduct Authority ('FCA') with licence number FRN 777911 to offer the following regulated activities:

a) Arranging (bringing about) deals in investments
b) Making arrangements with a view to transactions in investments
c) Dealing in investments as agent
d) Dealing in investments as principal
e) Agreeing to carry on a regulated activity

Further to the above, the Company is allowed to offer the above services for the following instruments for both retail, professional clients and eligible counterparty:

a) Commodity Future
b) Commodity option and option on commodity future
c) Contract for Differences (excluding a spread bet and, a rolling spot forex contract and a binary bet)
d) Future (excluding a commodity future and a rolling spot forex contract)
e) Option (excluding a commodity option and an option on a commodity future)
f) Rights to or interests in investments (Contractually Based Investments)
g) Rolling spot forex contract
h) Share Spread Bet

Exinity UK uses downloadable software that provides its clients opportunities for leveraged trading on FX, stocks, indices and commodities via an online trading platform. These products are offered through Contracts for Difference (CFD). The CFD is an agreement between the client and Exinity UK to settle, at the close of the contract, the difference between the opening and closing values of an index, currency or commodity. If the difference is positive Exinity UK pays the client. If the difference is negative, the client loses out. The leveraged derivative allows clients to speculate on price movements without needing to own the underlying asset. The CFD will be traded on margin and the profit/loss will be determined by the difference between the buy and sell price. Transactions give clients the opportunity to buy or sell a specific amount of asset involving only a limited amount of initial margin – the percentage of nominal price of the CFD contract. For a single CFD contract initial margin will be a small fraction of the nominal market value of the instrument. Variation margin will be applied to positions if they moved against the client and will be calculated on a real-time basis.

Exinity UK provides access to FX and commodity markets worldwide and offer a wide range of CFDs on FX pair's precious metals, commodities and Indices (i.e. Over-the-counter investments) to certain clients if there is sufficient demand. The client can place a position on Forex, Stock Indices, precious metals and commodities with quotes provided by the Exinity UK trading platform.

Exinity UK offers support 24 hours a day, 5 days a week, through either an online chat mechanism or via telephone.

Exinity UK is responsible for opening and operating the client's margin account and acting as counterparty to the trades. Exinity UK operates on a "matched book" or "back-to-back" basis. On receipt of a client order Exinity UK immediately (and automatically via the electronic trading platform) hedges its exposure with another liquidity provider. Thus, each transaction agreed and entered into between the client and Exinity UK as principal will be offset or matched with an identical trade (in terms of price and quantity) between Exinity UK and another counterparty.

1.2. Classification

As per the provisions of MIFIDPRU, all UK Investment Firms are classified either as Small and Non-Interconnected ('SNI') and Non-Small and Non-Interconnected ('Non-SNI') FCA investment Firms.

To qualify as an SNI, an FCA investment firm:

- must not carry out activities that have the greatest potential to cause harm to its customers or to the markets in which it operates, and
- must not carry out any activities on such a scale that would cause significant harm to customers or to the markets in which it operates

Further to the above, the table below shows the quantitative thresholds that have been set by the FCA in order to be considered as an SNI:

Table 1: SNI Thresholds

No.	Metric	Thresholds
1.	Assets Under Management	< £1.2 billion
2.	Client orders handled – cash trades	< £100 million per day
3.	Client orders handled – derivative trades	< £1 billion per day
4.	Assets safeguarded and administered	zero
5.	Client money held	zero
6.	On- and off-balance sheet total	< £100 million
7.	Total annual gross revenue from investment services and activities	< £30 million

Further to the above, the Company is categorised as a non-SNI Investment Firm since it does not meet all of the above criteria.

1.3. Scope of Application

This report is prepared on an individual level in accordance with the provisions of MIFIDPRU 8. The Report has as a starting point the financial information used in the Company's Financial Statements which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). As the two documents serve different purposes, the reported figures illustrate differences, which lie on the differences of the fundamental concepts between the IFPR and the IFRS.

taking into account the below principals as per the provisions of MIFIDPRU 8.1:

a) The report is easily accessible and free to obtain;
b) The report is clearly presented and easy to understand;
c) The report is consistent with the presentation used for previous disclosure periods or otherwise allows a reader of the information to make comparisons easily; and
d) The report highlights in a summary any significant changes to the information disclosed, when compared with previous disclosure periods.

Furthermore, and as a non-SNI Investment Firm, the Company is obliged to publicly disclose the following:

- MIFDIPRU 8.2 – Risk Management Objectives and Policies
- MIFIDPRU 8.3 – Governance Arrangements
- MIFIDPRU 8.4 – Own Funds
- MIFIDPRU 8.5 – Own Funds Requirements
- MIFIDPRU 8.6 – Remuneration Policy and Practices

Moreover, the Company does not fall within MIFIDPRU 7.1.4R(1) since the value of the firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100million. Therefore, the Company is not obliged to disclose information on Investment Policy as per the provisions of MIFIDPRU 8.7.

1.4. Regulatory Framework

The Report has been prepared in accordance with the regulatory regime for investment firms that the FCA has adopted, the IFPR. The IFPR establishes the prudential requirements in terms of own funds, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to UK investment firms.

The provisions on disclosure requirements are described in MIFIDPRU 8. In addition, these disclosures must be verified by the external auditors of the Company.

The Company's policy is to publish the disclosures required on an annual basis. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

1.5. Declaration of the Board

The Board is required to proceed with an annual declaration on the adequacy of the Company's risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company's risk profile.

The Company's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations. The Board considers that the Company has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate array of properly resourced assurance mechanisms, to avoid or minimise loss. Key ratios and figures representing interaction of the risk profile and the stated risk tolerances are deemed to be proprietary information.

2. Risk Management Objectives and Policies (MIFIDPRU 8.2.)

To ensure effective risk management, the Company has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.

First Line of Defence

Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with the Company's policies and where appropriate defined thresholds. The First Line of Defence acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defence

The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite, devising the suite of policies necessary to control the business including the overarching framework, independently monitoring the Company's risk profile and providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them. Integral to the mission of the Second Line of Defence is identifying risk areas, detecting situations/activities in need of monitoring, and developing policies to formalise risk assessment, mitigation and monitoring.

Third Line of Defence

Comprised by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally) as well as reviewing the Company's relevant policies and procedures. Internal Audit works closely with both the First and Second Lines of Defence to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

2.1. Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment, requires a strong risk management culture. As a result, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

- Adequate risk identification and management,
- Establishment of the necessary policies and procedures,
- Setting and monitoring of relevant limits, and
- Compliance with the applicable legislation.

The Board meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies and procedures as well as the Company's risk management policies and procedures as implemented by Management.

As part of its business activities, Exinity faces a variety of risks, the most significant of which are described further below. The Company holds regulatory capital against the three all-encompassing main types of risk: credit risk, market risk and operational risk.

2.2. Risk Statement

The Company's activities expose it to a variety of risks, and in particular to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, group risk, strategic risk, liquidity risk, conduct risk etc. The Company, through its operations, has a significant exposure to the economies and financial markets.

As regards the management of the risks arising from the current macroeconomic and political uncertainty (heightened inflation, Ukrainian crisis, climate crisis etc.), the Company is following the local government guidelines, enhancing its onboarding procedures and closely monitoring its capital and liquidity positions.

Risk Strategy

The risk strategy of the Company is a responsibility of the Board, which formulates and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Company's business model. One important characteristic of the Company's risk strategy is the alignment with the strategic and operational targets that are set by the Board.

The risks that arise from the implementation of the Company's strategic and business plans are regularly analysed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Company aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risks in line with the overall risk management and risk bearing capacity of the Company. The Company recognises the importance of risk management to its business' success, and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Company's exposure to various risks.

Risk Appetite

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events and outcomes. In addition, risk appetite should reflect potential impact on earnings, capital and funding/liquidity.

The Company has a low-risk appetite with respect to investing and managing business and operational activities.

According to the Financial Stability Board (FSB), an appropriate risk appetite framework (RAF) should enable the risk target, risk appetite, risk limits and risk profile to be considered for business lines and legal entities as relevant, and within the group's context.

The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which the risk appetite is established, communicated, and monitored.

Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy.

The Company is assessing its risk appetite with respect to investing and managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors.

Table 2: Risk Appetite areas

Indicator	Normal [1]	Warning [2]	Limit [3]
Minimum Own Fund Requirement	≥£520k	<£520k	£433k
Common Equity Tier 1 Ratio	>100%	<75%	56%
AT1 Capital Ratio	>125%	<100%	75%
Total Capital Ratio	>150%	<125%	100%
Liquid Assets	≥£280k	<£280k	£233k
Return on Assets	≥5.00%	<5.00%	0.00%
Retained Earnings / Total Equity	≥10.00%	<10.00%	5.00%

Notes:

1. *The level of the indicator is within the acceptable limits as per the Company's risk appetite.*
2. *The Company should take proactive actions in order to ensure that the level of the indicator will remain above the acceptable limits.*
3. *The level of the indicator falls below the acceptable limits and as such the Company should proceed with the required actions in order to restore the level of the said indicator to the normal predefined levels.*

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework.

The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

2.3. Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture, and its importance is also continuously emphasised by the management.

The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture whereby each business area is encouraged to take risk–based decisions, while knowing when to escalate or seek for advice.

2.4. Material Risks

In the context of the ICARA process, Exinity has identified the following material risks.

2.4.1. Credit Risk

Credit Risk arises when counterparties fail to discharge their obligations towards the Company, thus reducing the amount of future cash inflows from the financial assets at hand on the Company's balance sheet. In particular, the Company has specific credit risks arising from its current banking accounts with credit institutions, as well as other credit risks stemming from assets held under Debtors and Prepayments.

The Company's credit risk primarily emanated from cash/bank balances and receivables. In order to mitigate credit risk, the Company will adopt the following practices:

- The Company will implement the Standardised Approach to quantify the Capital Requirements, which correspond to the credit risks that it faces.

- Management will assess the credit quality of financial institutions taking into account their financial position, past experience and other factors. Cash balances are kept with high credit quality financial institutions.
- Monitoring of exposure to banks, exercising appropriate cash management and diversification.
- Capital requirements are calculated on a quarterly basis for Capital Adequacy reporting purposes and are reported to FCA.

2.4.2. Market Risk

Foreign exchange risk is the effect that unanticipated foreign exchange to foreign exchange rate changes may have on the Company's assets.

As an SNI Investment Firm, the Company will not deal for its own account except for agent purposes. Market risk is therefore limited to movements in foreign exchange risk, which is monitored through various control mechanism, imposed through the Company's Risk Management Framework.

The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as the establishment of maximum values/limits of exposure to a particular currency pair.

2.4.3. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organisation and covers a wide range of issues. The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

Moreover, the Company will put in place the appropriate risk management policies and procedures, which identify the operational risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risks tolerated by the Company while specific policies are also being documented as regarding backup procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Thus, the Company considers that the materialisation of operational risks will be minimised to the lowest possible levels.

2.4.4. Concentration Risk

Credit concentration risk represents any single exposure or group of similar exposures (for instance to the same borrower or counterparty, geographical area or industry) with the potential to produce losses which are large enough to threaten the Company's ability to maintain its core operations or result in a material change in the Company's risk profile.

Furthermore, the Company shall establish policies and procedures to monitor the diversification of the corporate and clients funds is closely monitored on a continuous basis.

2.4.5. Liquidity Risk

Funding liquidity risk is the possibility that, over a specific horizon, the Company is unable to meet its demands/needs for money (i.e. cash) through a probable mismatch of assets and liabilities. Furthermore, liquidity risks can also arise either via extreme market conditions and/or failures of designated counterparties that the Company associates with.

Liquidity risk is not considered significant since the Company is expected to maintain high cash balances and will not hold any illiquid assets.

Furthermore, the Company will implement inter alia the following mitigating actions/controls:

- Increase capital when prompted to,
- Daily review of Company equity v/s clients' equity,
- Assess day-to-day cash flow under different market scenarios,
- Regular review of credit ratings of counterparties and liquidity providers.

2.4.6. Business Risk

The Company may be exposed to business risk in case of a deterioration of the business and economic conditions in the markets in which it operates and as a result of this recession loses one or several customers. The Company's business plans involve an expansion of its clientele to grow its revenue base and increase its profitability. However, the Company has taken into consideration Business Risk when preparing its financial projections and when conducting its stress testing. In order to avoid any potential damage to the Company's financial position, the Company will continuously evaluate (and redesigns if and when necessary) its business plans taking into account changing economic conditions.

The Company has established policies and procedures when dealing with possible Client complaints in order to provide the best possible assistance and service under such circumstances. The said procedures are documented in the Company's operations manual and are also disclosed to Clients and potential Clients through the Company's website.

2.4.7. Legal & Compliance/Regulatory Risk

Legal & Compliance risks arise from violations of, or non-conformance with, the Law, Directives and Circulars issued thereof, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company mainly to financial losses due to imposed fines from the Regulators. Compliance incidents may also lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and possible inability to enforce contracts.

The Company has established policies and procedures which are regularly updated to ensure compliance with the relevant Laws and Directives. The Compliance Officer is primarily responsible for managing the Company's legal and compliance risk and assessing the Company's AML procedures.

2.4.8. Reputational Risk

Reputational Risk could materialise after an incident urges the Company's clients, counterparties, investors or regulators to adopt an adverse perception about the Firm and its image. It may also occur as an effect of poor customer service or from potential fines/sanctions imposed by FCA, due to the loss of a key partner, the loss of large Clients, fraud or theft, Client claims, legal actions against the Company and from negative publicity relating to overall Francisco's operations whether such fact is true or false.

The Company is aware that, operating in a demanding industry, with many competitors, who may also act in unethical ways, could introduce risks of reputational nature. The possibility of having to deal with serious incidents is limited as the Company will exert its best efforts in providing high quality services to its Clients. The Company aims to minimise reputational risk through the implementation of a strong internal control system and adequate policies and procedures (including in the area of client complaint handling). Furthermore, the Company aims to also mitigate this risk by ensuring that all employees are adequately trained and equipped with the required skills to fulfil their duties.

2.4.9. Residual Risk

Residual Risk emanates when the credit mitigation techniques used by investment firms prove less effective than expected which shall be addressed, controlled and incorporated residual risk, in written policies and procedures. In particular, residual risk might occur as a result of ineffective documentation, or delay or inability to realise payment from a client in a timely manner.

3. Governance Arrangements (MIFIDPRU 8.3)

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.

3.1. Organisational Structure

Through its organisational structure, the Company incorporates a strict Internal Governance framework. Furthermore, the Organisational Structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflict of interest situations within the Company.

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

3.2. Board of Directors

The Company's Board of Directors comprises of two executive directors.

The Board has the ultimate and overall responsibility for the investment firm and defines, oversees and is accountable for the implementation of the governance arrangements. The Board is responsible for ensuring that the Company complies at all times with its obligations under the Law. In doing so, the Board approves and periodically reviews the effectiveness of the policies, arrangements and procedures in place, whilst if needed, takes appropriate measures to address any deficiencies.

- be responsible for ensuring that the Company complies with its obligations under relevant Laws applicable in England and Wales, legislation and the requirements set by regulatory bodies such as the FCA;
- assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Laws of England and Wales, legislation and the requirements set by regulatory bodies such as the FCA;
- take appropriate measures to address any deficiencies;
- ensure that it shall receive on a frequent basis, and at least annually, written reports regarding Compliance, Money Laundering & Terrorist Financing and Risk Management issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies;
- be responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequate flow of information.

Additionally, the Board shall be responsible, amongst others, for:

- ensuring the compliance of the Company with applicable legislations;

- ensuring that the Company operates according to its memorandum and articles of association, and as per the requirements of the relevant competent authorities of the jurisdictions in which it provides services, as applicable;
- deciding on the strategic decision, management objectives and business target of the Company;
- monitoring the operations of the Company to ensure that the strategic objectives of the Company are met whilst taking into account the Company's business and risk profile through effective oversight of key departments;
- approving policy description concerning information systems and monitoring the information systems in place;
- overseeing the organisation of the Company for the provision of investment services and activities and ancillary services, including the skills, knowledge and expertise required by personnel, the resources, the procedures and the arrangements for the provision of services and activities, taking into account the nature, scale and complexity of its business and all the requirements the Company has to comply with;
- deciding on new services and financial instruments that the Company might offer based on the changing environment of the financial markets;
- reviewing, examining and assessing the audited financial statements and deciding on the annual budget of the Company;
- oversight and control of the policies and procedures of the Company;
- carrying any such other responsibilities and obligations as may be required by applicable legislation and regulations.

The Board will be assisted in its oversight function by the following 3 committees:

- the Treating Customers Fairly (TCF) Committee
- the Audit Committee; and
- the Risk Management Committee.

3.3. Committees

Establishing committees helps management bodies in their supervisory functions. Committees draw on the specific knowledge and areas of expertise of individual management body members. While committees should prepare decisions and make recommendations to the management body in its supervisory function, the management body has the overall responsibility.

Moreover, the Company does not fall within the scope of MIFIDPRU 7.1.4R(1) since the value of the firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100million. Therefore, the Company is not obliged to establish any committee. However, the Company has established Treating Customers Fairly (TCF) Committee, Audit Committee and Risk Management Committee in order to ensure the effectiveness of the overall policies and practices applied.

Treating Customers Fairly (TCF) Committee

Purpose of this committee is to ensure that TCF is embedded in the business by reviewing the six consumer outcomes set by the FCA.

Purpose: The purpose of the Exinity's TCFC is to review, monitor and report on the 6 consumer outcomes set by the FCA.

Outcome 1: Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

Outcome 3: Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

Outcome 4: Where consumers receive advice, the advice is suitable and takes account of their circumstances.

Outcome 5: Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

Outcome 6: Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Audit Committee

The audit committee is established with the aim of enhancing confidence in the integrity of the Company.

The Audit Committee provides an 'independent' reassurance to the Board through its oversight and monitoring role and among many responsibilities the Board entrusts the Audit Committee's:

1. Transparency and accuracy of financial reporting and disclosures;
2. Effectiveness of external and internal audit functions;
3. Robustness of the systems of internal audit and internal controls; and
4. Review of the Companies whistle-blower policy.

The **purpose** of the Audit Committee shall be to assist the Board of Directors in fulfilling its oversight responsibilities relating to:

1. the financial condition of the Company
2. the integrity of the Company's financial statements
3. the Companies compliance with legal and regulatory requirements
4. the performance of the Company's independent auditors

The Audit Committee shall, except when such powers are by regulation reserved to the Board of Directors, possess and may exercise the powers of the Board of Directors relating to all accounting and auditing matters for the Company.

All action by the Audit Committee shall be reported to the Board of Directors at its meeting next succeeding such action.

Risk Management Committee

Mission: The Risk Management Committee is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general.

Three of the key risks the Company is exposed to include:

Concentration Risk: Concentration risk is the risk that results from a lack of diversification in business type, business channels, or investor base.

Liquidity Risk: Funding liquidity risk is the possibility that, over a specific horizon, the Company will be unable to meet its demands/needs for money (i.e. cash) through a probable mismatch of assets and liabilities. Furthermore, liquidity risks can also arise either via extreme market conditions and/or failures of designated counterparties that the Company associates with.

Operational Risk: Operational risk addresses the Company's exposures resulting from inadequate or failed internal processes, people and systems or from external events; it includes legal, tax and financial crime risks, but does not include strategic and business risks or credit or counterparty risks.

The Company has taken the approach to be risk adverse and takes reasonable steps to manage its risks. This is reflected in our low appetite for taking on risk in any of our activities.

Risks to income generating capability are mitigated wherever possible and measures against actual and potential operating risks are taken where directors judge the benefit or the potential of the mitigation to exceed the costs of the mitigating controls. The same low tolerance to risk is reflected on the costs side of the business with minimal long-term cost commitments and hence, Company has little to no tolerance for engaging in activity that adversely influences its risk profile. All risks of any significance are identified, assessed and controlled on an on-going basis. Further details can be found in Exinity UK's Internal Capital Adequacy Assessment Process the ("ICAAP") Risk Matrix.

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness:

1. of such risk management policies and procedures that are in place;
2. the level of compliance by the Company and its relevant persons with the policies and procedures adopted;

the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

3.4. Policy on Recruitment

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the Company's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations of the Firm.

3.5. Number of Directorships

The table below discloses the number of directorships held by members of the management body of the Company, including the Firm and any other companies belonging to the same group, as at 31 December 2022. Directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations, are not taken into account for the purposes of the below.

Table 3: Number of Directorships of the members of the Board of Directors*

Name of Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Heiko Muller	Executive Director	1	-
Simon Henry	Executive Director	1	-

****The information in this table is based only on representations made by the directors of the Company.***

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

3.6. Policy on Diversity

The Company is committed to promoting a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognising that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation.

For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age and cultural and educational background for the Board appointments.

4. Own Funds (MIFIDPRU 8.4)

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. During the year, the primary objective of the Company with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its own funds and that the Company maintained healthy capital ratios in order to support its business. Further to the above, the Company, as a non-SNI Investment Firm, shall at all times have own funds at least the highest of the following:

- Permanent Minimum Capital Requirement,
- Fixed Overheads Requirements, and
- K-Factors Requirement.

Exinity 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.

4.1. Composition of Regulatory Own Funds

The following information provides a full reconciliation of the Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the Company. The Company's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital.

Table 4: Composition of Regulatory Own Funds

No.	Item	Amount	Source based on reference number of Table 6
1.	**OWN FUNDS**	**4,899**	
2.	**TIER 1 CAPITAL**	**4,899**	
3.	**COMMON EQUITY TIER 1 CAPITAL**	**4,899**	
4.	Fully paid up capital instruments	5,623	1 (Shareholders' Equity)
5.	Share premium	225	2 (Shareholders' Equity)
6.	Retained earnings	(949)	3 (Shareholders' Equity)
7.	Accumulated other comprehensive income	-	N/A
8.	Other reserves	-	N/A
9.	Adjustments to CET1 due to prudential filters	-	N/A
10.	Other funds	-	N/A
11.	**(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1**	**-**	
19.	CET1: Other capital elements, deductions and adjustments	-	N/A
20.	**ADDITIONAL TIER 1 CAPITAL**	**-**	
21.	Fully paid up, directly issued capital instruments	-	N/A
22.	Share premium	-	N/A
23.	**(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1**	**-**	
24.	Additional Tier 1: Other capital elements, deductions and adjustments	-	N/A
25.	**TIER 2 CAPITAL**	**-**	
26.	Fully paid up, directly issued capital instruments	-	N/A
27.	Share premium	-	N/A
28.	**(-) TOTAL DEDUCTIONS FROM TIER 2**	**-**	
29.	Tier 2: Other capital elements, deductions and adjustments	-	N/A

4.2. Main Features of Capital Instruments

The Company is obliged to disclose information on the main features of the CET 1 instruments, Additional Tier 1 instruments and Tier 2 instruments. Therefore, the Company's capital instruments' main features are outlined below:

Table 5: Own funds: main features of own instruments issued by the firm

No.	Item	Free text
1	Issuer	Exinity UK Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	213800EZ6XCMPTDA4Z45
3	Public or private placement	Private
4	Governing law(s) of the instrument	English Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Share
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	5.848
7	Nominal amount of instrument	£5,848,353
8	Issue price	£1
9	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	£225,000 - 27/09/2017 £400,000 - 12/12/2017 £350,000 - 21/05/2018 £500,000 - 30/07/2018 £1,100,000 - 10/09/2020 £365,000 - 08/09/2021 £530,000 - 15/12/2021 £1,163,790 - 25/04/2022 £557,438 - 07/06/2022 £432,125 - 01/11/2022
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
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	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
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	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

4.3. Balance Sheet Reconciliation

The Company shall disclose the balance sheet included in its audited financial statements for the year-end disclosures.

As at 31 December 2022, the reconciliation of Company's assets and liabilities and regulatory Own Funds are shown in the following table:

Table 6: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial

		Balance sheet as in published/ audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1.	Property, plant and equipment	10	N/A	N/A
2.	Deposits and other receivables	11	N/A	N/A
3.	Cash at bank and in hand	718	N/A	N/A
4.	Other assets	4,741	N/A	N/A
Total Assets		**5,478**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1.	Trade and Other Payables	286	N/A	N/A
2.	Intercompany Loan	294	N/A	N/A
Total Liabilities		**580**		
Shareholders' Equity				
1.	Share Capital	5623	N/A	Ref. 4
2.	Share Premium	225	N/A	Ref. 5
3.	Retained Earnings	(957)	N/A	Ref. 6
4.	Profit/(Loss) Period	8	N/A	Ref. 6
Total Shareholders' equity		**4,899**		

5. Own Funds Requirements (MIFIPDRU 8.5)

The Company as a non-SNI Investment Firm shall at all times have own funds at least the highest of the following:

a) Permanent Minimum Capital Requirement,
b) Fixed Overhead Requirements, and
c) K-Factors Requirement.

5.1. Permanent Minimum Capital Requirement

As per the provisions of MIFIDPRU 4.4, where a MIFIDPRU Investment Firm has the permission to carry on any of the following investment activities, it is required to maintain a Permanent Minimum Capital Requirement of £750,000:

a) dealing on own account;
b) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; or
c) operating an organised trading facility, if the firm is not subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R.

Moreover and in case of a MIFIDPRU Investment Firm that has permission to provide the following activities:

a) operating a multilateral trading facility;
b) operating an organised trading facility, if the firm is subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R;
c) holding client money or client assets in the course of MiFID business; and

but it does not have permission for any of the following:

a) dealing on own account;
b) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
c) operating an organised trading facility, if the firm is not subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R,

then the firm is required to maintain a Permanent Minimum Capital Requirement of £150,000.

Finally, in case of a MIFIDPRU Investment Firm which is authorised to offer the following services but is not permitted to hold clients' money or client assets in the course of its MiFID business, the applicable Permanent Minimum Capital Requirement is £75,000:

a) reception and transmission of orders in relation to one or more financial instruments;
b) execution of orders on behalf of clients;
c) portfolio management;
d) investment advice; or
e) placing of financial instruments without a firm commitment basis; and

Therefore, since the Company is authorised to provide the investment service of dealing on own account, its initial capital is £750k.

However, the Company is allowed to reduce its permanent minimum initial capital requirement to £125,000 through the transitional provision TP 2.18 for the reference year of the report. The 5-year alternative requirement for a former IFPRU 125k firm is as follows:

MIFIDPRU TP2.18 (R):

(a) From 1 January 2022 to 31 December 2022: £125k
(b) From 1 January 2023 to 31 December 2023: £190k
(c) From 1 January 2024 to 31 December 2024: £330k
(d) From 1 January 2025 to 31 December 2025: £470k
(e) From 1 January 2026 to 31 December 2026: £610k

5.2. Fixed Overheads Requirement

The fixed overheads requirement (FOR) applies to all MIFIDPRU Investment Firms. The FOR is intended to calculate a minimum amount of capital that a MIFIDPRU Investment Firm would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as the one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provisions of MIFIDPRU 4.5. When calculating its fixed overheads requirement, a firm must use the figures resulting from the accounting framework applied by the firm in accordance with MIFIDPRU 4.5.2R.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is £433k as per the table below:

Table 7: Fixed Overheads Requirement

Item	£'000
Total expenses of the previous year after distribution of profits	**1,733**
Total deductions	**-**
(-)Staff bonuses and other remuneration	-
(-)Employees', directors' and partners' shares in net profits	-
(-)Other discretionary payments of profits and variable remuneration	-
(-)Shared commission and fees payable	-
(-)Fees to tied agents	-
(-)Interest paid to customers on client money where this is at the firm's discretion	-
(-)Non-recurring expenses from non-ordinary activities	-
(-)Expenditures from taxes	-
(-)Losses from trading on own account in financial instruments	-
(-)Contract based profit and loss transfer agreements	-
(-)Expenditure on raw materials	-
(-)Payments into a fund for general banking risk	-
(-)Expenses related to items that have already been deducted from own funds	-
Annual Fixed Overheads	**1,733**
Fixed Overheads requirement	**433**

5.3. K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. K-factor application to an individual FCA investment firm will depend on the MiFID investment services and activities the Firm undertakes.

Capital requirement from applying K-factors formula is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') as described in the table below:

Table 8: K-Factors Proxies

Risk to Client (RtC)	Risk to Market (RtM)	Risk to Firm (RtF)
• K-AUM: Assets Under Management • K-ASA: Client Assets Safeguarded and Administered • K-CMH: Client Money Held, and • K-COH: Client Orders Handled	• 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, and • K-DTF: Operational risks from Daily Trading Flow

Further to the above and since the Company is authorised to offer the Dealing on Own Account while it is not authorised to offer the Portfolio Management or Investment Advice Investment Services, all K-factors apply to the Company except K-AUM.

5.3.1. Risk to Client

The risk to Client proxy captures the risk that may be inflicted onto the clients. RtC exists in the activities/services of the firm which are related to the client and are measured as a percentage of Clients Money Held (CMH), Assets Under Management (AUM), Assets Safeguarded & Administered (ASA) and Clients' Orders Handled (COH).

The Company is required to calculate the following K-Factors requirements as part of the RtC:

5.3.1.1. K-AUM: Assets Under Management

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets an IF manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

Calculation

AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months, excluding the 3 most recent monthly values.

K-AUM shall be the arithmetic mean of the remaining 12 monthly values multiplied by the relevant coefficient of 0.02%.

Since the Company did not provide any portfolio management or investment advice services during the year ending 31 December 2022, the Company was not subject to the risk relating to this K-factor.

5.3.1.2. K-CMH: Clients Money Held

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law, provided that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.

CMH is the amount of client money that an investment firm holds or controls. It excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to these client funds via a third-party mandate (on a segregated or nonsegregated basis).

Calculation

CMH shall be the rolling average of the value of total daily client money held, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

K-CMH shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient (0.4% and for segregated accounts and 0.5% for non- segregated accounts).

As at 31 December 2022 the Company's CMH was £502k and the respective K-CMH was £2k.

5.3.1.3. K-ASA: Assets Safeguarded and Administered

K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

ASA means the value of assets that an investment firm safeguards and administers for clients – ensuring that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

Calculation

It is calculated as the rolling average of the daily total value of assets under safekeeping and administration, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

K-ASA shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient of 0.04%**.**

As at 31 December 2022 the Company's ASA was zero.

5.3.1.4. K-COH: Client Orders Handled

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders.

COH captures the potential risk to clients of an investment firm which executes its orders (in the name of the client). This is the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and execution of orders on behalf of clients.

Calculation

COH shall be the rolling average of the value of the total client orders handled, measured throughout each business day for the previous 6 months.

K-COH shall be the arithmetic mean of the daily values from the remaining 3 months multiplied by the relevant coefficient (0.1% and for cash trades and 0.01% for derivative trades).

As at 31 December 2022 the Company's COH was zero.

5.3.2. Risk to Market

The Risk to market proxy captures the risk a MIFIDPRU Investment Firm can pose to market access. The K-factor for RtM is based on the rules for market risk, for positions in financial instruments in foreign exchange and in commodities in accordance with the UK CRR.

5.3.2.1. K-NPR: Net Position Risk

As a non-SNI Investment Firm authorised to offer the dealing on own accounts investment service, it is required to calculate its K-NPR requirement by reference to trading book positions and positions other than trading book positions where the positions give rise to foreign exchange risk or commodity risk. The K-NPR requirement is calculated in accordance with Title IV of Part Three of the CRR.

Based on its trading activities, the Company is exposed to market risk resulting from exposure to FX Risk only.

As at 31 December 2022, the K-NPR capital requirement amounted to £14k, as shown in the table below:

Table 9:K-NPR capital requirement

K-NPR	£'000
Foreign Exchange Risk	14
Commodities Risk	-
Position Risk due to equities	-
TDI Risk	-
K-NPR	**14**

Foreign Exchange Risk

Foreign exchange risk is the effect that unanticipated exchange rate changes may have on the Company. In the ordinary course of business, the Company is exposed to foreign exchange risk, which is monitored through various control mechanisms.

The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of a maximum value of exposure to a particular currency pair as well as through the utilisation of sensitivity analysis. The Company's foreign exchange risk capital requirement is £14k emanating from a net foreign exchange exposure of £180k based on the latest relevant calculations of the Company's capital requirements as at 31 December 2022.

The Company continues to regularly monitor the impact of exchange rate risks and if deemed necessary, corrective actions will be taken to minimise the effect.

5.3.3. Risk to Firm

The Risk to Firm captures the risk that could be inflicted on the Company. The K-factors under RtF capture an investment firm's exposure to their trading counterparties, the concentration risk in an investment firm's large exposures and the operational risk from an investment firm's daily trading flow: K-factors for K-TCD and K-CON under RtF constitute a simplified application of the rules laid down in the CRR on counterparty credit risk and large exposure risk, respectively.

The Company is required to calculate the following K-Factors requirements as part of the RtF:

5.3.3.1. K-TCD: Trading Counterparty Default

K-TCD captures the risk to an investment firm by counterparties to over-the-counter (OTC) derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the investment firm on an ancillary basis as part of an investment service that fails to fulfil their obligations, by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, accounting for the mitigating effects of effective netting and the exchange of collateral.

Calculation

Calculation based on CRR counterparty credit risk refers to exposure value, credit valuation, replacement cost, potential future exposure and collateral. The following formulae describe the calculation of the capital requirement for K-TCD:

$$\text{K-TCD}=a \times EV \times Rf \times CVA$$

Where:

- *a=1.2*
- *Exposure value (EV)=max(0,RC+PFE-collateral)*
- *Risk Factor (Rf) is defined per counterparty type (1.6% for banks, central governments, central banks and investment firms, 8% other counterparties)*
- *Credit Valuation Adjustment (CVA) =1.5 for Banks and Investment Firms and 1 for others#*

The Company was not exposed to any kind of transactions that would create a K-TCD requirement.

5.3.3.2. K-CON: Concentration Risk on Large Exposures

K-CON captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have exposures above 25% of their own funds, or specific alternative thresholds in relation to credit institutions or other investment firms, by imposing a capital add-on in line with CRR for excess exposures above those limits.

All Investment Firms should monitor and control their concentration risk. However, only Investment Firms which are subject to a minimum own funds requirement under the K-Factors should report the concentration risk.

Limits

Where the client is a credit institution or an investment firm, the limit to concentration will be the higher between 25% of the investment firm's capital or £150m. If the amount of £150m is higher than 25% of the firm's own funds, the limit to concentration should not exceed 100% of the firm’s capital.

Where the client is not a bank or an investment firm, the limit to concentration risk remains at 25% of the investment firm’s own funds.

Calculation

Where a firm exceeds these limits, it will be required to hold an additional own fund requirement based on the excess over the limit multiplied by a factor between 200% and 900%, depending on the size of the excess as prescribed in Table 1 of MIFIDPRU 5.7.4.

Further to the above, the Own Funds requirement of the excess shall be calculated in accordance with the following formula:

$$OFRE = \frac{OFR}{EV} * EVE$$

Where:

- *OFRE = own funds requirement for the excess;*
- *OFR = own funds requirement of exposures to an individual client or groups of connected clients, calculated by adding together the own funds requirements of the exposures to the individual clients within the group, which shall be treated as a single exposure;*
- *EV = exposure value calculated in TCD and NPR K-factors;*
- *EVE = exposure value excess calculated as Exposure Value minus Limit*

The K-CON own funds requirement shall be the aggregate amount of the own fund requirement calculated for each client or group of connected clients.

The Company calculates and keeps aside additional capital requirement for any amount that exceeds the applicable K-CON limit. Additionally, the Company reports to the FCA, on a quarterly basis, via the MIF005, the value of exposures exceeding the limits set in of MIFIDPRU 5.7.1 and the name of the relevant counterparty.

As at 31 December 2022, the Company did not have any exposure above the limit.

5.3.3.3. K-DTF: Daily Trading Flow

K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, adjusted for the time to maturity of interest rate derivatives in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower.

DTF means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients which are already taken into account within the scope of client orders handled.

Calculation

DTF shall be the rolling average of the value of the total daily trading flow, measured throughout each business day for the previous 9 months, excluding 3 recent months.

DTF= sum of [ABS(Buys) + Abs (Sells)] for both cash trades and derivatives

K-DTF shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient (0.1% and for cash trades and 0.01% for derivative trades).

As at 31 December 2022 the Company's DTF – Derivatives trades was £16,043k and the respective K-DTF was £2k.

5.4. K-Factors Requirement Results

As at 31 December 2022, the Company's K-Factors Requirement is £18k as shown in the table below:

Table 10: K-Factors Results

Item	Factor Amount £'000	K-Factor Requirement £'000
TOTAL K-FACTOR REQUIREMENT		**18**
Risk To clients		**2**
K-AUM	-	-
K-CMH (Segregated)	*502*	*2*
K-CMH (non-Segregated)	-	-
K-ASA	-	-
K-COH (Cash Trades)	-	-
K-COH (Derivative Trades)	-	-
Risk to Market		***14***
K-NPR		14
K-CMG		-
Risk to Firm		***2***
K-TCD		-
K-DTF (Cash Trades)	-	-
K-DTF (Derivative Trades)	*16,043*	*2*
K-CON		-

5.5. Overall Capital Adequacy Position

According to MIFIPDRU 3.2.2, Investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital}}{\boldsymbol{D}} \geq \mathbf{56\%}$$

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital + Additional\ Tier\ 1\ Capital}}{\boldsymbol{D}} \geq \mathbf{75\%}$$

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital + Additional\ Tier\ 1\ Capital + Tier\ 2\ Capital}}{\boldsymbol{D}} \geq \mathbf{100\%}$$

where D is the Company's own funds requirement calculated in with MIFIDPRU 4.3.

The Company's own funds, own funds requirement and capital ratio reported as at 31 December 2022, were as follows:

Table 11: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	£'000
Total Own Funds	**4,899**
OWN FUNDS REQUIREMENTS	£'000
Permanent Minimum Capital Requirement (MIFIDPRU 4.4) (TP. 2.18)	*190*
Fixed Overheads Requirement (MIFIDPRU 4.5)	*433*
K-Factors Requirement (MIFIDPRU 4.6)	*18*
Total Own funds Requirement	**433**
CAPITAL RATIOS	
Common Equity Tier 1 Capital Ratio (min. 56%)	**1129.60%**
Surplus/(Deficit) of **Common Equity Tier 1** Capital Ratio	4,649
Tier 1 Capital Ratio (min. 75%)	**1129.60%**
Surplus/(Deficit) of Tier 1 Capital Ratio	4,566
Total Capital Ratio (min. 100%)	**1129.60%**
Surplus/(Deficit) of Total Capital Ratio	4,458

As per the above results, Exinity as at 31 December 2022 maintains adequate own funds to cover its capital requirements. However, the Company will continue to monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

5.6. Liquidity Requirements (MIFIDPRU 6)

The basic liquid assets requirement is based on a proportion of an FCA investment firm's fixed overheads requirement and any guarantees provided to clients. The purpose is to ensure that the investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets in cash to meet their liquidity needs.

The Company is required to maintain an amount of liquid assets that is at least equal to the sum of the following:

- one third of the amount of its fixed overheads requirement, and
- 1.6% of the total amount of any guarantees provided to clients.

The MIFIDPRU handbook defines core liquid assets as any of the following items denominated in pound sterling:

- coins and banknotes;
- short-term deposits at a UK-authorised credit institution;
- assets representing claims on or guaranteed by the UK government or the Bank of England;
- units or shares in a short-term MMF;
- units or shares in a third country fund that is comparable to a short-term MMF; and
- trade receivables, if the conditions in MIFIDPRU 6.3.3R are met.

In this respect, Exinity's core liquid assets as at 31 December 2022 were well above the 1/3 of the total fixed overheads requirement as indicated in the table below:

Table 12: Liquidity Requirements

Item	£'000
Coins and banknotes;	718
Short-term deposits at a UK-authorised credit institution;	-
Assets representing claims on or guaranteed by the UK government or the Bank of England;	-
Units or shares in a short-term MMF;	-
Units or shares in a third country fund that is comparable to a short-term MMF; and	-
Trade receivables, if the conditions in MIFIDPRU 6.3.3R are met.	-
Total Core Liquid Assets	**718**
Basic Requirement (1/3 of Fixed Overheads Requirement)	**144**
Surplus/(Deficit)	**574**

Further to the above, the Company maintains adequate liquid assets to cover the one third fixed overheads requirement. However, the Company should monitor the above in order to ensure compliance at all times.

5.7. Internal Capital Adequacy and Risk Assessment Process

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company under normal and during stressed conditions.

The Company should establish 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 they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed to. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

In light of the above, the ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning assessment.

The Overall Financial Adequacy Rule (OFAR) establishes the standard to determine if an FCA investment firm has adequate financial resources.

OFAR will require the firm, at all times, to hold adequate own funds and liquid assets to:

- to ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and,
- to allow its business to wind-down in an orderly way.

According to MIFIDPRU 4 own funds requirements are built around the PMR, the FOR, and, for non-SNIs, the KFR. These requirements serve different purposes. The FOR is a proxy for the amount of own funds the firm needs to hold to allow them to begin wind-down in an orderly way while the KFR is the amount of own funds required to cover the risk of harm from the ongoing operation of the firm's business. Finally, the PMR is a flat minimum required to underpin the FOR and the KFR. Unlike the FOR and KFR, the PMR does not scale with harm.

The PMR and FOR are standard requirements that apply to all FCA investment firms. The KFR is a standard requirement that applies to non-SNI firms. Meeting these alone may not be enough to mean that they are meeting threshold conditions. This will depend on the size, business model and complexity of the firm's activities. The firm will need to estimate the financial impact of any harm that is not covered by its PMR, FOR or KFR.

The above process will help the firm determine its 'own funds threshold requirement' that needs to be met with the appropriate resources at all times. Specifically, the firm will set its own funds threshold requirement at the higher of the:

1. PMR,
2. own funds necessary to cover harms from ongoing operations, or
3. own funds as necessary for wind-down.

As a non-SNI Investment Firm, the Company is required to calculate the K-Factors requirement.

Moreover, and as regards the liquidity threshold, the basic liquid assets requirement is based on the firm having a minimum amount of core liquid assets that will allow them to begin wind-down in an orderly manner.

The Company sets its liquid assets threshold requirement as the sum of the basic liquid assets requirement and the higher of:

1. the additional liquid assets necessary at any given point in time to fund ongoing operations, taking into account potential periods of financial stress during the economic cycle,
2. the additional liquid assets required to begin its orderly wind-down, taking into account inflows of liquid assets that can be reasonably expected to occur during the wind-down period.

The Company recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way as to be more diligent in the inclusion of risk factors in the business design process and also to hold adequate capital against the gross risks to which it is exposed to. It is also acknowledged that the ICARA Report is a reasonably intense process, requiring information from many different departments and committees of the company and also it requires senior management time at the design phase, during the risk and financial data collection phase and for the sign-off phase. Therefore, the Board is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

During the year 2022, the Company replaced its existing ICAAP with the new ICARA by establishing new assessments with respect to the liquidity adequacy of the Company, designing new financial projections and stress tests to reflect the K-Factors requirement and drafting a new report which reflects all provisions under the new regulation. The methodologies of K-Factors and Liquidity Stress tests are incorporated into the ICARA process, as well as the updated risk register which focuses on a harm-pose approach identifying different potential risk events that may affect the Company's overall capital adequacy position.

The ICARA Report and capital planning for the year 2021 has been prepared and approved by the Board on 11 July 2022. The report is being reviewed and updated annually, while it is submitted to FCA upon request.

The table below shows the outcomes of the Basic and Additional capital and liquidity requirements as at the reference date of the report.

6. Table 13: ICARA Process Outcomes

Item	£
Basis of Completion of the ICARA Process	
Scope of the Report	Individual
Reference Date of the ICARA process	31/12/2021
Assessing and Monitoring the Adequacy of Own Funds	
Common Equity Tier 1 Capital	*2,188,460*
Additional Tier 1 Capital	-
Tier 2 Capital	-
Total Own Funds	***2,188,460***
Own funds threshold requirement	*698,516*
- *Own funds to address risks from ongoing activities*	*87,523*
- *Own funds necessary for orderly wind-down*	*287,213*
Surplus/(Deficit)	***1,489,944***
Assessing and Monitoring the Adequacy of Liquid Assets Held	
Total Core liquid assets	168,860
Total Non-core liquid assets	-
Total liquid assets	**168,860**
Liquid assets threshold requirement	287,213
- *Basic liquid assets requirement*	*232,839*
- *Additional liquid assets required to fund ongoing business operations*	*18,351*
- *Additional liquid assets required to start wind-down*	*54,374*
Surplus/(Deficit)	***(118,353)***

Further to the above results, during the year-ended 2021 the Firm's capital assets were above the respective thresholds calculated whereas its liquid assets were below the overall liquidity threshold calculated. The Company monitors these requirements to ensure compliance at all times.

6. Remuneration policy and practices (MIFIDPRU 8.6)

The employees are remunerated based on their performance within a multi-year framework, irrespective of the gender and/or ethnicity of each employee. The remuneration benefits are always in line with the business strategy and objectives of the Company, which ensures the promotion of effective risk management.

The Senior Management maintains records containing information as regards the Remuneration of the Company's employees in a separated file/record (e.g. payroll data).

Where potential or actual client detriment might arise as a result of specific features in remuneration policies and practices, the Company should take appropriate steps to manage potential conduct of business and conflict of interest risks by reviewing and/or amending these specific features and setting up appropriate controls and reporting mechanisms for taking appropriate action to mitigate potential conduct of business and conflict of interest risks.

Furthermore, Exinity shall ensure that it has appropriate and transparent reporting lines in place across the firm or group to assist in escalating issues involving risks of non-compliance with the Law, conflicts of interest and conduct of business requirements under the Law.

As a non-SNI firm, the Company is required to disclose as part of the market discipline requirement under MIFIDPRU rules the basic and standard information about the total number of staff, amount of total fixed and variable remuneration that have been awarded in the relevant year split between material risk takers (MRTs) and non-MRTs, and also provide information on the ex-post adjustments made to variable remuneration.

6.1. Remuneration Policy Principles

Gender neutrality

The firm's remuneration policies and practices are gender neutral and do not discriminate on the basis of the protected characteristics of an individual in accordance with the Equality Act 2010.

Risk management policies and practices promoting effective risk management

The firm ensured that its remuneration policy was established having taken into consideration its risk management practices. In doing so it ensured that the remuneration policy was consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the firm.

Business strategy Practices

The remuneration policies are in line with the firm's business strategy, objectives and long-term interests. These take into account:

- the firm's risk appetite and strategy, including environmental, social and governance risk;
- the firm's culture and values; and
- the long-term effects of the investment decisions taken.

The firm's business model and the business strategic future plan is in line with and supports the firm's remuneration policies and practices.

Avoiding conflicts of interest

Conflicts of interest can easily arise when employees are involved in the determination of remuneration for their own business area. Where conflicts cannot be avoided, they are managed by having in place independent roles for control functions including, notably, risk management, compliance and human resources. Input is sought from the firm's human resources function when setting remuneration for business areas. Furthermore, Compliance is responsible for the monitoring of such conflicts of interest.

6.2. Fixed and Variable Remuneration Components

All Company employees and the members of the Board of Directors are eligible for the annual (one-off) variable remuneration, which is determined based on their annual performance appraisal.

Fixed Remuneration

Fixed Remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, risk, accountability, and responsibility needed for an employee to perform each position/role.

Exinity's fixed Remuneration is approved by the Senior Management for all the relevant employees, and it is reviewed by Exinity at least annually and according to the relevant legislation without affecting the other terms of employment.

Benefits that may be provided to the Company' Relevant Persons, such as private health insurance, are not employee performance-related and are considered part of the fixed Remuneration.

Exinity's Remuneration includes:

a. financial Remuneration (i.e. cash, wage increases), and/or

b. non-financial Remuneration (i.e. career progression, training, etc.).

The Company does not award, pay or provide guaranteed variable Remuneration.

Variable remuneration

All Company employees and the members of the Board of Directors are eligible for the annual (one-off) variable remuneration, which is determined based on their annual performance appraisal and the performance of the firm throughout the relevant period.

Remuneration and capital

The measurement of performance used to calculate bonuses, or a bonus pool includes among others the adjustment for current and future capital planning and takes into account the cost and potential loss to capital and liquidity. Exinity shall ensure that the total variable Remuneration, including the annual bonus remuneration, does not prevent its ability to strengthen its capital base. The Company's Remuneration Policy underlines the link between the Company's variable remuneration costs and the need to manage its capital base including forward-looking capital planning measures. Where the Company needs to strengthen its capital base, its variable remuneration arrangements should be sufficiently flexible to allow it to direct the necessary resources towards capital building.

The firm undertakes an overall risk assessment as part of the Internal Capital Adequacy and Risk Assessment (ICARA) Process and reports to the FCA on its capital position taking into consideration current and future remuneration requirements. The firm's discretionary bonuses are only awarded after the accounting figures have been audited and given that the firm has the ability to give those bonuses. The firm also ensures that the variable remuneration is paid only after it satisfies its capital and liquidity thresholds set by the ICARA process.

Balance of fixed and variable components of total remuneration

Relevant Persons are prohibited to be remunerated only with variable components. The Relevant Persons' total Remuneration consists of a fixed component and may include a variable component. Some employees, except the members of the Board of Directors, are also eligible for the annual variable Remuneration.

Exinity shall ensure that the variable component does not exceed 30% of the fixed component of the total Remuneration for each individual.

6.3. Remuneration of Material Risk Takers

The remuneration policies of the Company are intended to ensure that the Company will attract and retain the most qualified Senior Management Personnel and Directors. As stated above, the criteria used for determining the remuneration of the Company's directors are segregated into quantitative and qualitative criteria. The quantitative remuneration criteria mostly rely on numeric and financial data such as the Company's performance and the individual performance evaluation and ratings of each member of staff whose professional activities affects the risk profile of the firm. In addition to the quantitative criteria, the Company has put in place qualitative criteria which include compliance with regulatory requirements and internal procedures, fair treatment of clients and client satisfaction.

Moreover, the remuneration of the Company's non-executive directors is fixed, and it is set at a level that is market aligned and reflects the qualification and competencies required based on the Company's size and complexity, the responsibilities and the time that the non-executive directors are expected to consume in order to serve the Company.

The table below provides information on the remuneration of Executive Directors, Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable remuneration.

Table 14: Remuneration split of staff whose activities have a material impact on the risk profile of the Company.

Annual Remuneration as at 31 December 2022				
Position	No. of Beneficiaries	Fixed Remuneration £	Variable Remuneration £	Aggregated Remuneration £
Material Risk Takers	2	211,601	66,000	277,601
Non-Material Risk Takers	3	202,116	51,350	253,466
Total	**5**	**413,717**	**117,350**	**531,067**

During the year there was no deferred remuneration, sign-on or severance payments.

7. Investment Policy (MIFIDPRU 8.7)

Any MIFIDPRU Investment Firm not meeting the conditions in MIFIDPRU 7.1.4R must disclose information on its Investment Policy.

The Company meets the conditions of MIFIDPRU 7.1.4R(1) since the value of the Firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100million. Therefore, the Company is not obliged to disclose information on Investment Policy as per the provisions of MIFIDPRU 8.7.