



PUBLIC DISCLOSURES REPORT FOR FINANCIAL YEAR 2023

HuaPrime EU Ltd (ex. Ultima Markets Cyprus Ltd)

Regulated by the Cyprus Securities and Exchange Commission under License no. 426/23

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DISCLOSURE

The Public Disclosures Report for the year 2023 has been prepared by HuaPrime EU Ltd (ex Ultima Markets Cyprus Ltd) as per the requirements of Regulation (EU) No. 2019/2033 and Delegated Regulation (EU) 2021/2153 issued by the European Commission and Law 165 (I)/2021 (the “Law”) issued by the Cyprus Securities and Exchange Commission (hereinafter, “CySEC”).

HuaPrime EU Ltd (ex Ultima Markets Cyprus Ltd - hereinafter, the “Company”) states that any information that was not included in this Report is either not applicable to the Company’s business and activities or such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine its competitive position.

HuaPrime EU Ltd (ex Ultima Markets Cyprus Ltd) is regulated by CySEC under License number 426/23.

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1. INTRODUCTION

1.1 INVESTMENT FIRM

Table 1: Company information

General Information:	
Company name	HuaPrime EU Ltd (ex Ultima Markets Cyprus Ltd)
CIF Authorization date	13/03/2023
CIF License number	426/23
Company Registration Date	30/06/2021
Company Registration Number	HE 423188
Legal Entity Identifier code (LEI)	9845000E1ACC85M6C817
Investment Service:	
1) Reception and transmission of orders in relation to one or more financial instruments	
2) Execution of Orders on Behalf of Clients	
Ancillary Services:	
1) Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management	
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	
Financial Instruments:	
1) Transferable Securities	
2) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash	
3) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event	
4) Financial contracts for differences (CFDs)	

1.2 PURPOSE

The present Report is prepared by HuaPrime EU Ltd (ex Ultima Markets Cyprus Ltd), a Cyprus Investment Firm (hereinafter, “CIF”, “Company” or “Ultima”) authorized and regulated by CySEC under the license number 426/23 and operates in harmonization with the Markets in Financial Instruments Directive II (hereinafter, “MiFID II”).

In accordance with Part Six of Regulation (EU) No. 2019/2033 (the “Investment Firms Regulation”, hereinafter “IFR”), the Company is required, as it is categorised as a Class 2 investment firm, to disclose information relating to its risk management objectives and policies, governance, level of own funds and own funds requirements, remuneration policy and practices, investment policy (if applicable) and environmental, social and governance risks (if applicable). The scope of this Report is to promote market discipline and to improve transparency of market participants.

The 2023 Public Disclosures Report has been prepared based on the relevant requirements in accordance with Part Six of the IFR and in particular with Articles 46 to 53, as applicable to the Company.

In order to meet the requirements of the IFR, the Board of Directors (“Board”) and the Senior Management have the overall responsibility for the internal control systems in the process of the “Capital Adequacy Assessment” and they have established effective processes to ensure that the full spectrum of risks facing the Company is properly identified, measured, monitored and controlled to minimize adverse outcomes.

The Company’s business effectiveness is presented and based on the guidelines of the risk management policies and procedures. The Board, Internal Auditor, Risk Manager, Compliance Officer, and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

The information contained in the Public Disclosures Report is to be audited by the Company’s external auditors and published on its website (<https://www.huaprime.eu/>) on an annual basis. Moreover, the Company is obliged to provide a copy of the external auditor’s verification report to CySEC within 5 months after the end of each financial year.

The disclosure currency is in Euro (€) and the information disclosed in this Report is related to the year ended 31st of December 2023 (based on audited financial statements). The Company has prepared this report on a solo basis.

1.3 REGULATORY (PRUDENTIAL) FRAMEWORK

In accordance with the IFR and with EU Directive 2019/2034 (“Investment Firms Directive” or “IFD”), which became applicable on 26 June 2021 and has replaced the Regulation (EU) 575/2013 (the “Capital Requirements Regulation” or “CRR”) and the Directive 2013/36/EU (“Capital Requirements Directive” or “CRD”), the Company is obliged to disclose information regarding its risk management, capital structure, capital adequacy, its risk exposures as well as the most important characteristics of its corporate governance, including its remuneration system. The core aim of the IFR is to introduce more proportionate rules for the majority of the MiFID II investment firms in relation to capital, liquidity and other prudential requirements, while ensuring a level-playing field between large and systemic financial institutions.

Unlike the CRR, which mainly captures credit institution risks, the IFR aims at considering specific risks that are applicable only to investment firms, depending on their business model and size. The IFR categorizes IFs into three categories depending on their business activities, systemic importance, size and interconnectedness.

Each IF class is subject to a different set of prudential requirements, with some systematically important and larger firms remaining under the CRR/CRD regime. In particular, under the IFR & IFD, IFs are categorized into the following classes:

- **Class 1 IFs (remain subject to CRR and CRD):** Large IFs that exceed certain criteria and need to be reclassified as credit institutions, plus:
 - **Class 1a:** Not reclassified as credit institutions, but above certain criteria and/or categorized as Systemically important IFs to the country (“O-SIIs”) and subject to CRR.
 - **Class 1b:** Not-Systemic Large IFs, but which elect to be subject to the CRR (if they are part of a group containing a bank that is subject to consolidated supervision under CRR).
- **Class 2 IFs (subject to IFR & IFD framework):** IFs exceeding the categorization thresholds for Small and Non-interconnected Investment Firms.
- **Class 3 IFs (subject to IFR & IFD framework, BUT with exemptions):** Small and Non-interconnected Investment Firms, in accordance with Article 12 of the IFR.

The Company falls into the Class 2 category and is thus subject to the IFR & IFD framework. In accordance with the IFR methodologies for Class 2 IFs, the **minimum regulatory capital requirement** for the Company is determined as the greatest of:

- The **Permanent Minimum Capital Requirement of EUR 150,000;**
- The **Fixed Overhead Requirement which corresponds to the 25% of the Company’s fixed overhead expenses** based on the most recent annual audited financial statements; and
- The total **K-factors Requirement**, which is based upon nine risk exposure indicators (“K-factors”) which are designed to measure operational risk to customers, counterparty credit risk, trading book market risk, and concentration risks in the trading book, if applicable.

Similarly, to the CRR, the IFR regulatory framework is comprised of three main areas:

- (i) **Minimum Own Funds Requirement:** Covers the calculation of the minimum capital needed to be allocated depending on the IF's class categorization (i.e., calculation of Fixed Overhead Requirement, Permanent Minimum Capital requirement or k-factors requirement) and liquidity requirements.
- (ii) **Internal Capital Adequacy and Risk Assessment Process ("ICARA"):** Covers the Supervisory Review and Evaluation Process ("SREP"), which assesses the ICARA and provides for the monitoring and self-assessment of the Company's capital and liquidity adequacy and internal processes; and
- (iii) **Public Disclosures:** Covers external, public disclosures that are designed to provide transparent information on regulatory capital and liquidity adequacy, own funds requirements, risk management objectives and policies, internal governance arrangements, remuneration policy and practices, investment policy (if applicable) and environment, social and governance risks (if applicable).

1.4 RUSSIA'S WAR AGAINST UKRAINE: OVERVIEW OF EU & US SANCTIONS

On 24th February 2022, Russia launched an undeclared war against Ukraine, a country Russia first invaded and partially occupied in 2014.

EU Sanctions:

As a result, the EU has imposed a series of new sanctions against Russia in response to the military aggression against Ukraine. They add to existing measures imposed on Russia since 2014 following the annexation of Crimea and the non-implementation of the Minsk agreements. The EU Sanctions include targeted restrictive measures (individual sanctions), economic sanctions and visa measures.

The aim of the economic sanctions is to impose severe consequences on Russia for its actions and to effectively prevent Russian abilities to continue the aggression.

The individual sanctions target people responsible for supporting, financing or implementing actions which undermine the territorial integrity, sovereignty and independence of Ukraine or who benefit from these actions.

The EU has also adopted sanctions against:

- Belarus, in response to its involvement in the invasion of Ukraine; and
- Iran, in relation to the use of Iranian drones in the Russian aggression against Ukraine

EU restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine now apply to a total of nearly 1,950 individuals and entities. In December 2023 the EU adopted [the 12th package of sanctions against Russia](#) and sanctioned an additional 61 individuals and 86 entities. The list of sanctioned individuals can be found [here](#).

U.S. Sanctions:

Prior to 2022, the United States had imposed sanctions on Russia in response to Moscow's 2014 invasion of Ukraine and other malign activities. Beginning in December 2021, the United States and others warned Russia's leadership that a new attack on Ukraine would lead to severe new sanctions (in addition to increased security assistance to Ukraine and an enhanced NATO presence in Central and Eastern Europe).

Sanctions designations and related actions the Biden Administration and Congress have taken since February 2022 include actions targeting Russian government assets, international trade, broad economic sectors, and specific individuals and entities.

It is noted that the Company does not have any Russian clients, who are subject to the EU-Russia sanction lists. As a result, the Company does not appear to be affected by the Russian sanctions for the time being.

2. CORPORATE GOVERNANCE

2.1 BOARD OF DIRECTORS

The Board of Directors, as at 31 December 2023, consists of five (5) members. Two (2) Executive Directors, one (1) Non-Executive Director and two (2) Non-Executive and Independent Directors. It is noted that the second executive director was replaced by Mrs. Daniela Maria Dughinel, who was officially approved by CySEC in early March 2024.

As a rule, all members of the Board of Directors must at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. In order to ensure so, the Company will run a throughout due diligence on all prospective members of the Board of Directors to make sure the right candidates are selected for the management role.

All in all, the Board of Directors shall ensure compliance with the following principles:

- Ensure that the Company complies with its obligations under the legislation.
- Familiarize in detail with the Legal Framework governing the operations of the Company.
- Actively develop and upgrade their knowledge and awareness of the developments in the financial sector in which the Company operates and more specifically developments affecting the operations of a Forex Online Broker, such as the Company.
- Periodically assess and review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law and Directives and to take appropriate measures to address any deficiencies.
- Set the strategy of the Company and ensure the continuing operations of the Company.
- Meet on a frequent basis to ensure that operational and strategic issues are discussed and issue guidance to the Senior Management and heads of the departments.
- Ensure that written reports concerning internal audit, compliance, anti-money laundering compliance and risk management are received on a frequent basis, and at least annually, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.
- Address any issues raised by the regulators and define the action to be taken in case corrective measures are required.

Furthermore, members of the Board of Directors shall notify the Company of any material change in the information provided in accordance with the previous paragraph and the Company shall update its records whenever there is a change in the Directors' external professional functions. Following this, the Company shall reassess the Director's ability in respect of the required time-commitment.

The Board shall 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 adequately flow of information.

2.2 NUMBER OF DIRECTORSHIPS OF BOARD MEMBERS

The Board of Directors, as at 31 December 2023, consisted of five (5) members. Two (2) Executive Directors, one (1) Non-Executive Director and two (2) Non-Executive and Independent Directors.

The table below provides the number of directorships the members of the Board of the Company hold at the same time in entities other than the Company, as at the time of preparation of this Report. Directorships held within the same group of companies are considered as a single directorship. In addition, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not considered for the purposes of the below.

Table 2: Board of Directors as at 31 December 2023¹

<i>Name of Director</i>	<i>Executive Director/ Independent Non-Executive Director in the Company</i>	<i>Number of Executive Directorships in other entities</i>	<i>Number of Non- Executive Directorships in other entities</i>
<i>Jianfang Lu</i>	Executive Director	0	0
<i>Noura Epaminonda²</i>	Executive Director (until 30.12.2023)	0	1
<i>Daniela Maria Dughinel²</i>	Executive Director (from 01.04.2024)	0	0
<i>Georgios Sardos</i>	Independent Non-Executive Director	0	0
<i>Lei Sun</i>	Independent Non-Executive Director	1	0
<i>Xiaonan Hua</i>	Non-Executive Director	3	0

Notes:

- The information in this table is based only on representations made by the Directors of the Company.*
- Ms. Daniela Dughinel replaced the previous second Executive Director. Her appointment was officially approved by CySEC in early March 2024.*

2.3 DIVERSITY OF THE BOARD OF DIRECTORS

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success. The Company recognizes the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practices in the Corporate Governance Code of many EU countries.

The Company recognizes the benefits of having a diverse Board which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences will be considered when determining the optimum composition of the Board.

2.4 TRAINING

During 2023, the Company's employees and directors, including the Risk Manager, attended a number of training seminars, presented by external organisations, covering the following areas: (i) MiFID II Compliance; (ii) IFR and ICARA; (ii) GDPR and AML, etc.

3. RISK MANAGEMENT

3.1 RISK MANAGEMENT FRAMEWORK

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

The key stakeholders to the Company's risk management framework are the:

- Board of Directors;
- Risk Management Committee;
- Risk Manager;
- Internal Auditor;
- Compliance Officer; and
- Anti-Money Laundering Compliance Officer ("AMLCO").

The Company envisages a risk management framework that is founded on the following principles:

- The Company's risk-taking strategy shall ensure that adequate risk management policies and procedures are established, implemented and maintained in such a way that the level of risk undertaken by the Company can be effectively tolerated. The risk tolerance determines the amount of risk in both qualitative and quantitative terms that the Company is willing to accept. The abovementioned policies and procedures shall be documented and subject to periodic review and adjustment in accordance with the Company's risk profile and appetite, as well as internal and external norms and best industry practices.
- Processes and systems necessary for ensuring effective and efficient operations, adequate control of risks, and prudent conduct of business, accurate internal and external disclosures, as well as compliance with internal and external rules shall be in place.
- The Company's risk-taking strategy shall ensure the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing and preservation of confidential information. Clearly defined roles and responsibilities shall exist while independence between risk management functions and position/risk taking functions shall be ensured in all cases.
- The Company's risk-taking strategy shall at all times ensure the determination, evaluation and efficient management of the risks inherent in the provision of the investment services.
- The Company's strategic planning and capital management shall be based on the Company's risk-taking appetite and the shareholder return objectives, as well as risk-adjusted business line performance.
- The Company's operating model shall aim at the standardization and integration of policies and processes, supporting the improvement of operational competence and the efficient mitigation of operational risks. Adequate, reliable and automated reporting must support the implementation of the operating model. In addition, it shall be ensured that the Company's IT strategy is in line with the operating model.

- All new investment activities shall be subject to adequate procedures and controls prior to their introduction, allowing for proper and independent identification of all inherent risks in line with the Company's risk criteria and limits.

The Company's personnel shall be properly trained in order to be aware of the Company's risk-related issues, understand their responsibilities regarding the management of those risks and have the adequate skills for their management.

3.2 RISK MANAGEMENT DEPARTMENT

The Risk Management Department shall be responsible for the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing, and preservation of confidential information. The Risk Management Department is also responsible for the determination, evaluation, and efficient management of the risks inherent in the provision of the investment services.

In accordance with the Company's Organisational Structure, the Risk Management Department of the Company comprises of:

1. Head of the Risk Management Department

Mrs. Jianfang Lu, Chief Executive Officer (CEO), Executive Director, part of "4-Eyes", based in Cyprus

2. Risk Management Committee

- a) Mr. Georgios Sardos, Independent Non-Executive Director, based in Cyprus;
- b) Mrs. Lei Sun, Independent Non-Executive Director, based in Cyprus;
- c) Mr. Xiaonan Hua, Non-Executive Director, based in Australia; and
- d) Mrs. Jianfang Lu, CEO and Risk Manager, based in Cyprus (no voting rights).

3.3 INTERNAL AUDIT

The Company, taking into consideration the nature, scale and complexity of its operations, as well as the investment services and activities provided, should implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the Company. The Internal Audit function is a separated and independent from other functions of the Company.

The Internal Audit function shall have the following responsibilities:

- Establish, implement and maintain an audit plan which will aim to examine and evaluate the whether the Company's systems, internal control mechanisms and agreements are adequate and effective and comply with the legal framework
- To issue recommendations based on the result of the audit plan's examinations
- To verify compliance with any potential recommendations
- Provide timely, accurate and relevant reporting in relation to internal audit matters to the Board and the Senior Management of the Company, at least annually. The internal audit report shall be presented

to the Board for review and discussion. The minutes of the meeting along with the report shall be submitted to CySEC within twenty days from the date of the meeting.

Furthermore, the Internal Auditor shall have clear access to the Company's personnel and books. Likewise, the Company's employees shall have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided.

3.4 COMPLIANCE

The Compliance function is performed independently. The Company employs, on a full-time basis, a Compliance Officer. The Compliance function reports only to the Board, which ensures that the Compliance Officer and other compliance staff act independently when performing their tasks. The Compliance Officer is appointed and replaced by the Board. The role of the Compliance Officer is to ensure compliance with the current and any new laws, regulations and directives issued by CySEC.

The duties and responsibilities of the Compliance Officer are summarized below:

- Ensure that the compliance function has the necessary authority, resources, expertise and access to all relevant information so as to ensure that the compliance function is exercising its responsibilities properly and independently
- Ensure that a compliance officer is appointed and responsible for the compliance function and for any reporting so as to comply with legal obligations.
- Ensure that the relevant persons involved in the compliance function must not be involved in the performance of services or activities monitored by the department
- Ensure that the method of remuneration of the relevant persons involved in the compliance function does not compromise their objectivity and must not be likely to do so
- Record any changes in the Company's operations, notify the respective regulator of the changes, and amend any legal and compliance documents so as to be up to date with the operations of the Company.
- Identify any potential conflict of interest situations, and attempt to resolve it in a timely and efficient manner
- Keep records of any conflict-of-interest situations occurring in the Company
- Assist the board of directors by evaluating and reporting to them the effectiveness of the controls for which they are responsible.
- Perform periodically reviews on the procedures followed by the employees to ensure compliance with Legislation and Internal Procedures Manual
- Review and where necessary update the Internal Procedures Manual
- Review randomly clients' files to ensure that the account opening procedure is properly implemented and that adequate records are kept by the Company, as requested by Legislation;
- Review randomly the clients' accounts with special consideration to the recording process of deposits/withdrawals and clients' transactions;

- Update the staff and management of the Company regarding new legislation;
- Ensure that information requested from CySEC through Circulars and/or direct communication with the Company is accurate and is provided within the set frame time
- Ensure that CySEC is notified promptly and in accurate manner for any material changes that might occur in the organizational structure of the Company
- Submit the annual report to Board of Directors over the activities of the Department, with special consideration to appropriate remedial measures that have been taken over the year in the event of any deficiencies;

3.5 ANTI-MONEY LAUNDERING

Money Laundering is defined as the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities, whereas terrorist financing refers to activities that provides financing or financial support to individual terrorists or terrorist groups. The role of the Anti-Money Laundering Compliance Officer (“AMLCO”) is to ensure the Company’s compliance with the laws and directives issued by CySEC regarding money laundering and terrorist financing issues. Note that the Company employs a full-time employee for the position of the AMLCO.

The duties and responsibilities of the AMLCO are summarized below:

- To strictly follow up and keep himself familiar with the latest Law and Regulations issued by the relevant authorities in relation to AML / CTF. To ensure that the Director responsible for AML maintains the needed level of knowledge, he / she needs to attend at least 5 hours of external seminars on the subject per year;
- Together with the MLCO, to initiate the design and implementation of policies and procedures, transposing the provisions of the AML Law, the relevant circulars and regulations, and the best industry practices for anti-money laundering and counterterrorist financing, into the Company’s internal procedures in an effective and efficient way.
- To ensure that the provisions of the AML Law and / or circulars and / or regulations, including any relevant acts of the European Union are fully implemented by the Company, the Director responsible for AML shall actively review the elements of the AML Monitoring Program, as designed and employed by the MLCO, to secure that it is designed in such a way that will capture at an early stage any material weaknesses or deficiencies in the implementation of the relevant AML / CTF regulations.
- To actively review the finding of the AML Monitoring Program, where malpractices, deficiencies and incidents will be disclosed, and investigate further the cases resulting from poor implementation of the Law provisions and where needed to suggest timely corrective measures.
- To ensures that all provisions of the AML Law and all the relevant regulations, circulars and acts are transposed into the Company’s manuals and are communicated and explained in the needed details to the Company’s employees. Further to that, the Director responsible for AML shall review all manuals and policies prepared by the MLCO, prior to their escalation for approval to the Board of Directors, to ensure that the provisions of the Law and the relevant Regulations are well covered in the manuals, and that internal procedures are presented and explained in such a way, to give the expected results in an effective and efficient manner.

- Together with the MLCO, to prepare the annual AML training plan, aiming to ensure that employees' training needs are met. The Director responsible for AML shall suggest internal training to be offered to employees or external seminars to be attended to complement the training objectives of the Company. In addition, the Director responsible for AML will review the AML Training materials prepared by the MLCO for the in-house training and will suggest additional points and details to be included, where such need is identified, aiming to better explain the rationale behind the provisions of the Law and the Regulations.
- Further to the above point, the Director responsible for AML shall discuss with the MLCO the regulatory and business changes, which are anticipated for the next year, so that the needed procedures are designed, documented and communicated for review and approval to the Board of Directors well before the point of time, when the new regulation will come in force.
- The Director responsible for AML shall be the replacing the MLCO, when the latter is absent, to ensure that employees have a point of contact to address their AML queries when the MLCO is not available.

3.6 RISK MANAGEMENT COMMITTEE

The Risk Management Committee has to ensure that all forms of risks which are linked to the Company's activities are covered effectively.

In particular, the Risk Management Committee shall:

- Establish the strategy of taking any form of risk and managing capital in a way that serves the business goals of the Company and ensures the adequacy of the available resources in technical means and staff;
- Provide for the development of an internal system of risk management and its integration in the business decision-making process (e.g., decisions concerning the introduction of new products and services, the pricing of products and services which is readjusted according to the risk, as well as the calculation of efficiency and capital allocation in relation to the risk) throughout the whole range of the Company's activities;
- Determine the principles for managing risks concerning their identification, projection, measurement, monitoring, audit, and treatment, in accordance with the business strategy in force and the adequacy of the available resources;
- Provide advice to the Board, on the basis of information received and work done by the Internal Auditor, the Risk Manager, and the External Auditor, on the adequacy and effectiveness of the Company's:
- Risk management framework;
- IT systems and data, ensuring these can facilitate the accurate identification, quantification, assessment, aggregation and reporting of risks;
- Appropriateness of the limits, and equity capital in relation to the level and the form of the risks taken;
- Approve the proposals of the competent units regarding the adoption of the appropriate risk adjustment techniques at acceptable levels;

- Review and approve the Risk Management Policy and any changes proposed by the Risk Manager;
- Provide for the transaction of stress tests on market risk, credit risk, as well as operational risk, using the appropriate techniques, and ensures from time to time that the risk parameters and model assumptions are subject to an independent review;
- Formulate propositions and propose corrective actions to the Board if it ascertains any weakness in carrying out the established strategy for the Company's risk management or divergences regarding its implementation;
- Oversee the work of the Compliance Officer and ensuring implementation of the Compliance Program;
- Take any other necessary actions for carrying out effectively its mission; and
- Assess the adequacy and the appropriateness of the Risk Manager through a written report submitted to the Board, at least, on an annual basis.

The Company's Risk Management Committee met once during 2023.

3.7 RISK APPETITE STATEMENT

Risk appetite is the level of risk that the Company is willing to take in order to achieve its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, credit, market, operational, business, reputational, legal and compliance and data security/IT risk.

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

The Board has approved the following Risk Appetite Statement decided by the Management:

Risk appetite statement

The Company's risk appetite is determined by its Board, following the recommendations of the Risk Manager and taking into account the Company's risk bearing capacity.

Risk appetite determines the maximum risk that the Company is willing to assume in order to meet its business targets. To ensure coherence between the Company's strategic considerations as regards risk taking and the day-to-day decisions, Management reviews and when deemed necessary updates the Company's risk appetite statement.

The Company's risk appetite is set by taking into consideration its current risk profile (please see below). The following are the main risk appetite statements which are applicable across all of the Company's activities:

- The Common Equity Tier 1 ("CET1") capital of the Company and capital ratios shall always exceed the IFR regulatory limits as tabulated below:

A	B	C
Regulatory Capital Ratios	Regulatory % of Own Funds Requirement (OFR)	Regulatory Limits
Min. Initial Capital Requirement	EUR 150,000	CET1 must at all times be higher than (i) EUR 150,000 and (ii) ratios shown in Column B
Fixed Overheads Requirement	25% of total FOH of previous year	
CET1	56%	
Tier 1	75%	
Total	100%	

- In case the CET1 Capital or capital ratios fall below the regulatory limits tabulated in Column B above, the Company should immediately notify CySEC.
- The Company has zero tolerance in regards to regulatory non-compliance, including regulatory client leverage limits. Therefore, all departments are required to operate at all times in compliance with respective regulatory requirements, relevant laws and regulations;
- The Company has limited tolerance towards operational risks / losses, such as internal fraud, unauthorized trading limit excesses, data security and General Data Protection Regulation (hereinafter, “GDPR”). Operational risks inherited in the business operations of the Company are managed proactively.

The Company’s risk bearing capacity is defined as the ability of the Company’s available capital to absorb adverse risk.

The Company’s available eligible own funds as at 31.12.2023 were above the regulatory capital ratio of 100% and above the permanent initial capital requirement of EUR 150,000 (i.e., at EUR 239K as at 31.12.2023).

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

The Board and Senior Management understand how the risk capacity impacts on the business and have taken the necessary steps in order to be in constant awareness, mitigating any potential threats. The Company’s Risk Appetite Statement is reviewed at least annually and is updated when deemed necessary.

3.8 RISK CULTURE

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

The role of the Risk Manager is to promote a risk management culture across the Company, develop policies and supporting methodologies for identifying, assessing, and where possible mitigating the Company’s risk exposures.

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

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

3.9 REGULATORY LIMITS

Under the IFR/IFD, the Company shall at all times satisfy the following regulatory own funds requirements:

1. A **CET1 ratio of at least 56%**, where CET1 ratio is the Company's CET1 capital expressed as a % of its total Own Funds Requirement*;
2. A **Tier 1 (CET1+ Additional Tier 1 ("AT1")) ratio of at least 75%**, where Tier 1 ratio is the Company's Tier 1 capital expressed as a % of its Own Funds Requirement*;
3. A **Total ratio (Tier 1 and Tier 2) ratio of 100%**, where total capital ratio is the Company's own funds expressed as a % of its total Own Funds Requirement*.

Note: For Ultima, the Own Funds Requirement is given as the greatest of: (i) the Permanent Minimum Capital Requirement of EUR 150,000; (ii) the Fixed Overheads Requirement; and (iii) the total K-Factors Requirement.

In addition to the capital requirements, under the new IFR, the Company is obliged to hold liquid assets equal to or greater than its Liquidity Requirement.

The Liquidity Requirement is equal to one third of the Company's Fixed Overheads Requirement (so a twelfth of the Company's fixed overhead expenses based on the most recent audited financial statements).

3.10 ICARA AND STRESS TESTING

The scope of the stress testing in the context of the Annual ICARA Process, is to evaluate the impact of the incurred risks on the Company's current and future profitability and capital and liquidity adequacy, using forward looking stress testing scenarios.

The ICARA process helps the Company to determine the additional, to the IFR Own Funds and Liquidity Requirement, capital and liquidity needed to cover all risks and to maintain an adequate surplus in respect to the minimum capital and liquidity requirements under the IFR.

The first ICARA report will be prepared during 2024 based on the 31.12.2023 cut-off, after gathering approximately one year's worth of historical data. The ICARA will be conducted in accordance with the CySEC's guidelines and the results will be communicated to the Board and the General Management, as well as to CySEC upon the latter's request.

Stress tests to be considered upon preparation of first ICARA:

- Understanding the risk profile of the Company.
- Evaluating the Company's capital adequacy in absorbing potential losses under stressed conditions from risks not covered or not adequately covered under the minimum regulatory capital and liquidity requirements. This takes place in the context of the Company's ICARA.
- Evaluating the Company's strategy: Senior Management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows Senior Management to determine whether the Company's exposures correspond to its risk appetite.
- Establishing or revisioning limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios.

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

- Review the overall business strategy, risk appetite, capital and liquidity planning.
- Review limits.
- Consider an increase in share capital; or
- Enhance contingency planning.

4. OWN FUNDS COMPOSITION

The following information provides a reconciliation between the Balance Sheet presented in the audited financial statements and the Balance Sheet prepared for prudential purposes.

In accordance with the provisions of Article 49 (1) of the IFR, the Company shall disclose the composition of its Own Funds using the templates of Annex VI of the European Commission Regulation (EU) 2021/2284 and in accordance with the relevant instructions set out in Annex VII of that Regulation.

The composition of the Company's Own Funds as at 31 December 2023, in accordance with the abovementioned Regulation is tabulated in the following table:

Table 3: Composition of regulatory Own Funds based on Template EU IF CCI.01

<i>Ref</i>	<i>Common Equity Tier 1 (CET1) capital: Instruments and reserves</i>	<i>31 Dec 2023 EUR</i>	<i>Source based on reference numbers of the Balance Sheet in the audited financial statements</i>
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			<i>(cross reference to EU IF CC2)</i>
1	OWN FUNDS	239,192	
2	TIER 1 CAPITAL	239,192	
3	COMMON EQUITY TIER 1 CAPITAL	239,192	
4	Fully paid-up capital instruments	432,897	Ref. 1 (Shareholder's equity)
5	Share Premium	0	
6	Retained earnings	(515,610)	Ref. 3 (Shareholder's equity)
8	Other Reserves	321,905	Ref. 2 (Shareholder's equity)
10	Adjustments to CET1 due to prudential filters	0	
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
17	(-) Losses for the current financial year	0	
26	(-) Other deductions	0	
27	CET1: Other capital elements, deductions and adjustments	0	
28	ADDITIONAL TIER 1 CAPITAL	0	
40	TIER 2 CAPITAL	0	

Table 4: Own Funds: Reconciliation of regulatory Own Funds to Balance Sheet in the audited financial statements based on Template EU IFCC2

<i>Ref</i>	<i>Balance sheet as in audited Financial Statements</i>	<i>31 Dec 2023 EUR</i>	<i>Cross reference to EU IF CC1</i>
Assets - Breakdown by asset classes according to the Balance Sheet in the audited financial statements			
1	Property, plant and equipment (Non-current assets)	29,015	
2	Receivables (Current assets)	23,483	
3	Cash at bank and in hand (Current assets)	225,622	
	Total Assets	278,120	
Liabilities - Breakdown by liability classes according to the Balance Sheet in the audited financial statements			
1	Trade and other payables (Current liabilities)	10,951	
2	Borrowings (Non-Current liabilities)	0	
3	Lease Liabilities (Current liabilities)	27,977	
	Total Liabilities	38,928	
Shareholders' Equity - Breakdown by equity classes according to the Balance Sheet in the audited financial statements			
1	Share Capital	432,897	Ref. 4
2	Share Premium	0	
3	Retained Earnings	(515,610)	Ref. 6
4	Capital Reserves / Shareholders Advances	321,905	Ref. 8
	Total Shareholders' equity	239,192	

5. OWN FUNDS REQUIREMENTS

The primary objective of the Company with respect to its capital management is to ensure that it complies with the own funds requirements imposed by the IFR and Law 165(I)/ 2021 of CySEC.

Under this framework, the Company needs to monitor the level of its Own Funds and own funds requirements and maintain a strong Capital Adequacy ratio in order to be able to promote itself as a fully compliant and healthy Company, to support its business and maximize shareholders' value. In this respect, the own funds requirements should not be seen as a restriction of business, but rather as proactive risk management imposed to help both the Company and its client base.

The total Own Funds Requirement of the Company is determined in accordance with Article 11 of the IFR and is defined as the highest of the following:

1. The **Permanent Minimum Capital Requirement** – calculated in accordance with Article 14 of the IFR
2. The **Fixed Overheads Requirement** – calculated in accordance with Article 13 of the IFR
3. A **K-Factor Requirement** – calculated in accordance with Article 15 of the IFR.

The Board, as well as the Risk Manager, monitor the reporting requirements and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.

The Company manages the level of its Own Funds and own funds requirements and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

5.1 PERMANENT MINIMUM CAPITAL REQUIREMENT

In accordance with the license details of Ultima, its Permanent Minimum Capital Requirement in accordance with Article 14 of the IFR, is EUR 150,000.

The Company monitors its Own Funds on a continuous basis in order to ensure that they remain above the Permanent Minimum Capital Requirement of EUR 150,000.

5.2 FIXED OVERHEADS REQUIREMENT

In accordance with Article 13 of the IFR, the Fixed Overheads Requirement is calculated as the 25% of the Company's fixed overhead expenses based on the most recent Audited Financial Statements.

The following table presents the total Fixed Overhead Requirement for the Company as at 31 December 2023:

Table 5: Calculation of Fixed Overheads Requirement as at 31 December 2023

<i>Fixed Overheads Requirement Calculation</i>	31 Dec 2023
	EUR
Fixed Overhead Requirement	92,605
Annual Fixed Overheads of the previous year after distribution of profits	370,419

Total expenses of the previous year after distribution of profits¹	379,472
of which: Fixed expenses incurred on behalf of the investment firm by third parties	0
(-) Total Deductions	(9,053)
(-) Staff bonuses and other remuneration	0
(-) Employees', directors' and partners' shares in net profits	0
(-) Other discretionary payments of profits and variable remuneration	0
(-) Shared commission and fees payable	0
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	0
(-) Fees to tied agents	0
(-) Interest paid to customers on client money where this is at the firm's discretion	0
(-) Non-recurring expenses from non-ordinary activities	(9,053)
(-) Expenditure from taxes	0
(-) Losses from trading on own account in financial instruments	0
(-) Contract based profit and loss transfer agreements	0
(-) Expenditure on raw materials	0
(-) Payments into a fund for general banking risk	0
(-) Expenses related to items that have already been deducted from own funds	0
Projected fixed overheads of the current year²	224,000
Variation of fixed overheads (%)	-39.53%

Notes:

¹ Total Expenses represent the total expenses of the Company based on the Audited Financial Statements for the year ended 31.12.2023.

² Projected fixed overheads (for the year ended 31.12.2024) are based on the Company's capital planning.

5.3 K-FACTOR REQUIREMENT

The K-factor Requirement under the IFR/IFD framework is based upon the risk exposure indicators (“K-factors”), capturing not only the Balance Sheet risks but P&L risks as well.

The **K-Factor Requirement** for the Company shall amount to, at least, the sum of the following:

1. Risk-to-Client (“RtC”) K-Factors, which capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

- **K-AUM** captures the risk of harm to clients from mismanagement of client portfolios or poor execution and provides reassurance to clients in terms of the continuity of service of portfolio management and ongoing investment advice. The Company is not subject to the K-AUM capital requirement, since it does not offer the services of (i) portfolio management and/or (ii) investment advice.
- **K-CMH** captures the risk of harm to client money taking into account the legal arrangements in relation to asset segregation (i.e., risk of clients to lose money safeguarded by the Company in the event of bankruptcy, insolvency, or entry into resolution or administration of the Company). The Company did not onboard any client during 2023 and thus, no investment or ancillary services were offered, including

safekeeping of client money. As a result, the Company’s exposure to K-CMH amounted to zero as at 31.12.2023.

- **K-ASA** captures the risk of harm to client financial instruments/assets safeguarded by the Company and ensures that the Company holds capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts. The Company did not onboard any client during 2023 and thus, no investment or ancillary services were offered, including custody of financial assets. As a result, the exposure to K-ASA amounted to zero as at 31.12.2023.
- **K-COH** captures the risk to clients of an IF which executes orders (in the name of the client, and not in the name of the IF itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders. The Company did not onboard any client during 2023 and thus, no investment or ancillary services were offered, including reception transmission and/or execution of client orders. As a result, the Company’s exposure to K-COH amounted to zero as at 31.12.2023.

2. **Risk-to-Market (“RtM”) K-Factor** is captured by the Net Position Risk (K-NPR) in accordance with the market risk provisions of the CRR or, where permitted by the competent authority, based on the total margins required by an investment firm’s clearing member (K-CMG). It is noted that the Company is **not licensed to offer the Dealing on Own Account** service and therefore the **RtM k-factor is not applicable to its business model**. The RtM k-factor requirement will be calculated **only** in the cases where the Company has positions, other than trading book positions, where those give rise to foreign exchange or commodity risk. The Company will use the K-NPR method to calculate the market risk capital requirement, if and when applicable in the future.

3. **Risk-to-Firm (“RtF”) K-Factors** captures the risk of trading counterparty default (K-TCD), concentration risk of large exposures to trading counterparties (K-CON) and operational risks from daily trading flow (K-DTF). **However, the Company is not licensed to offer the Dealing on Own Account service and therefore the RtF k-factors are not applicable to its business model.**

The table below provides information on the total K-factor requirement for the Company and the applicable K-factors that form it, in accordance with its licensed investment services:

Table 6: Total k-factor requirement as at 31 December 2023

K-factor category	K-factor Requirement 31 Dec 2023 EUR
Risk to client	0
Assets under management	0
Client money–held - Segregated	0
Client money–held - non-segregated	0
Assets safeguarded and administered	0
Client orders handled - Cash trades	0
Client orders handled - Derivatives Trades	0
Risk to market	0
K-Net positions risk requirement	0
Clearing margin given	0
Risk to firm	0
Trading counterparty default	0
Daily trading–flow - Cash trades	0
Daily trading–flow - Derivative trades	0

K-Concentration risk requirement	0
TOTAL K-FACTOR REQUIREMENT	0

5.4 TOTAL OWN FUNDS REQUIREMENT AND CAPITAL RATIOS

The total Own Funds Requirement and Capital Ratios of the Company as at 31st of December 2023 are presented in the below table. It is reminded that the total own funds requirement for the Company should be the highest of the following:

1. The **Permanent Minimum Capital Requirement** (see Section 5.1 above)
2. The **Fixed Overheads Requirement** (see Section 5.2 above)
3. The **K-Factor Requirement** (see Section 5.3 above).

Table 7: Total Own Funds Requirement, capital ratios and capital levels based on the IFR rules

Description of Metric	31 Dec 2023' EUR
Available Eligible Own Funds²	239,192
Own Funds Requirement, higher of:	150,000
1. Permanent Minimum Capital Requirement	150,000
2. Fixed Overhead Requirement	92,605
3. Total K-factor Requirement	0
CET1 Ratio (min. regulatory limit is 56% based on IFR)	159.5%
Surplus/(Deficit) over CET1 Ratio	155,192
Tier 1 Ratio (min. regulatory limit is 75% based on IFR)	159.5%
Surplus/(Deficit) over CET1 Ratio	126,692
Own Funds Ratio (min. regulatory limit is 100% based on IFR)	159.5%
Surplus/(Deficit) over CET1 Ratio	89,192

Notes:

¹Based on audited Financial Statements as at 31 December 2023.

²Own Funds consist of CET1 instruments only (i.e., no AT1 instruments, no Tier 2 instruments)

It is noted that the Company's available eligible own funds as at 31.12.2023 were above the regulatory capital ratio of 100% and above the permanent initial capital requirement of EUR 150,000 (i.e., at EUR 239K as at 31.12.2023).

5.5 LIQUIDITY REQUIREMENT

Liquidity risk is the possibility that, over a specific horizon, the Company will be unable to raise cash and meet its financial obligations.

The Company has procedures with the object of minimizing the liquidity risk such as maintaining sufficient cash and also the shareholder of the Company is willing to perform liquidity injections were necessary.

Under the IFR/IFD regulatory framework, Class 2 CIFs (like Ultima), are obliged to hold liquid assets that are equal to at least one third of their fixed overheads capital requirement (so one twelfth of their fixed overhead expenses based on their most recent annual audited financial statements).

The total Liquidity Requirement and level of liquid assets for the Company as at 31st of December 2023 is presented in the below table.

Table 8: Liquidity Requirement and level of Liquid Assets as at 31.12.2023

Amounts in EUR	31.12.2023
Liquidity Requirement ¹	28,187
Client Guarantees²	0
Total Liquid Assets	225,622
Unencumbered short-term deposits	221,662
Total eligible receivables due within 30 days	0
Level 1 assets	3,960
Coins and banknotes	-
Withdrawable central bank reserves	0
Central bank assets	0
Central government assets	0
Regional government/local authorities' assets	0
Public Sector Entity assets	0
Recognisable domestic and foreign currency central government and central bank assets	0
Credit institution (protected by Member State government, promotional lender) assets	0
Multilateral development bank and international organisations assets	0
Extremely high-quality covered bonds	0
Level 2B assets	0
Qualifying CIU shares/units	0
Total other eligible financial instruments	0

Notes:

¹ Liquidity Requirement is calculated as the 1/3 of the Fixed Overhead requirement during the year of 2023. The Fixed Overhead requirement (see Section above) for 2023 was equal to EUR 85K).

² No client guarantees were given by the Company during 2023.

5.6 OTHER RISKS

Other Concentration Risks

In addition to the K-CON capital requirement, the Company also monitors other concentration risks on a quarterly basis in accordance with Article 54 of the IFR. Such concentration risks do not give rise to capital requirements for the Company but are being monitored and reported to CySEC only for information purposes.

In accordance with Article 54 of the IFR, the Company also monitors on a quarterly basis, the following levels of risk:

- a) the level of concentration risk with respect to **the credit institutions, investment firms and other entities where client money is held;**
- b) the level of concentration risk with respect to the **credit institutions, investment firms and other entities where client securities are deposited;**
- c) the level of concentration risk with respect to the **credit institutions where the investment firm's own cash is deposited;**
- d) the level of concentration risk from **earnings;**
- e) the level of concentration risk as described in the points above, calculated taking into account **assets and off-balance-sheet items.**

Business Risk

Business risk is a distinct type of risk that is not captured in the course of the minimum regulatory capital requirement under IFR/IFD and is defined as the possibility of economic loss arising from adverse strategic and business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment, including technological progress. The Company manages strategic risk through its normal conduct of business, while business risk will be further examined in the course of the first ICARA that will be conducted by the Company's Risk Manager.

Reputational Risk

Reputational risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by clients, counterparties, shareholders, investors or regulators. Reputational risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor client service, fraud or theft, client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations, whether such fact is true or false.

The Company has policies and procedures in place when dealing with possible client complaints, in order to provide the best possible assistance and service under such circumstances. The risk of having unhappy clients is considered as remote, due to the fact that the Company considers that it will do its best to provide high quality services to its clients. In addition, the Company's Board members and Senior Management comprise of experienced professionals who are recognized in the industry for their integrity and ethos, and, as such, add value to the Company.

Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputational and strategic risk. The Company has in place documented procedures and policies based on the requirements of relevant Laws and Directives issued by CySEC. Compliance with these procedures and policies is further assessed and reviewed by the Company's Internal Auditor and suggestions for improvement are implemented by management. The Internal Auditor evaluates and tests the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is considered as low.

Compliance Money Laundering Terrorist Financing Risk

Compliance risk is the current and prospective risk of economic loss arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards.

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist or be involved in financing terrorism.

The Company has in place and is updating as applicable, certain policies, procedures and controls in order to mitigate the Compliance/Money Laundering and Terrorist Financing Risks. Among others, the Company has established or is in the process of establishing the below policies, procedures and controls:

- Adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing Risks faced by the Company;
- Adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing Risk, prior to and after the establishment of a business relationship with a client;
- Setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g., documents collected from independent and reliable sources);
- Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction;
- Monitoring and reviewing the business relationship or an occasional transaction with Clients and potential Clients of high-risk countries;
- Develop and establish a Customers' Acceptance Policy ("CAP") which has also been included in the AML Manual and reflects the actual policies and procedures followed by the Company;
- A number of policies (i.e., Conflicts of Interest Policy, Client Complaints Policy, Investor Compensation Fund Policy, MIFID Client Categorization, etc.) have been uploaded in the Company's website, aiming at providing its Clients with all necessary information prior to the establishment of a business relationship;
- The Company's Compliance Officer, in liaison with the Board and the Heads of the Front-line Departments, designed effective organizational and administrative arrangements, which are expected

to be implemented going forward, with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of the Company's Clients;

- Established mechanisms that allow the Company to submit the EMIR and MIFIR reporting on a daily basis according to the provisions of the relevant Laws and Directives;
- Electronically submit to CySEC the Risk Based Supervision Framework ('RBS-F');
- The Company is in the process of setting in place the Common Reporting Standard (CRS) reporting;
- Registered with the goAML system implemented by the Unit for Combating Money Laundering (MOKAS).
- The Company's Compliance Officer and Senior Management shall ensure on an ongoing basis that, the Product Governance Requirements under MiFiD II will be met; and
- Ensure that the Company's personnel receive the appropriate training and assistance.

The Company has reviewed its policies, procedures and controls with respect to money laundering and terrorist financing in order to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

IT Risk

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or from the inadequate use of the Company's information technology. Policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable. The Company will be regularly, at least annually, conducting Business Continuity Plan (BCP) stress tests to ensure the proper functioning of its systems and back-up procedures but also to minimise the possibility of such type of risk to materialise.

6. REMUNERATION POLICY AND PRACTISES

The Company shall establish, implement and maintain a Remuneration Policy which is designed pursuant to Circular C138 and takes into consideration ESMA's and EBA's Guidelines in relation to Remuneration Policies and Practices. Remuneration means all forms of payments or financial or non-financial benefits provided directly or indirectly by firms to the Relevant Persons in the provision of investment and or ancillary services to clients. The Remuneration Policy shall which comply with the requirements of the Law in relation to conflicts of interests, by taking into consideration in specific, Articles 17(3)(a) and 24 of the Law. The Remuneration Policy must, inter alia, be designed in such a way so as to not create conflicts of interest or incentives that may lead relevant persons to favour their own interests or the firm's interests to the potential detriment of any Client.

The remuneration policy shall comply with the following principles:

- Be in line with its business strategy, objectives, values and long-term interests and based on the applicable legislation, designed in such a way as not to create incentives that may lead Relevant Persons to favour Company's interest or/and their own interest and act against the best interest of the clients. It will also incorporate measures to avoid and/or mitigate conflicts of interest situations.
- The Policy considers the role performed by Relevant Persons, the type of products offered, and the methods of distribution as to prevent potential conduct of business and conflict of interest risks.
- Be consistent with sound and effective risk management and intended to deter risk-taking beyond the Company's expressed risk appetite and risk tolerance levels. Further, staff engaged in control functions.
- To ensure that the organisational measures it adopts regarding the launch of new products or services, appropriately take into account the Policy and the risks that these products and/or services may pose.
- The Compliance Function is involved a) in the design process of the Policy before it is applied to the Relevant Persons b) in the review process of the Policy and c) in the periodic assessment of the Policy
- The provisions of CySEC's Circular 030 on certain aspects of the Compliance Function requirements are fully applicable in the Company's Remuneration Policy.
- the applicability of the Company's Policy is reviewed at least annually by the Board of Directors, in the context of an internal review for compliance with the relevant legislation, as well as to confirm applicability.
- Remuneration system inevitably takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff.

In accordance with Article 51 of the IFR, the Company shall disclose the following information regarding its remuneration policy:

i. Most important design characteristics

The Company's remuneration policy aims to ensure that:

- The remuneration of employees is based on their overall performance within the Company, particularly emphasising on evaluating the employees on the basis of Qualitative Criteria, which aim on the employees' efficiency in the workplace and the overall service experience rendered to the Company's Clients;
- The Company is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- Employees are offered a competitive remuneration package;
- Employees feel encouraged to create sustainable results
- A link shall exist between shareholder and employee interests;
- Corporate values and culture are supported;
- Leadership, accountability, teamwork and innovation are reinforced;
- The contribution and performance of the businesses, teams and individuals are aligned.

The Company's remuneration policy is set by the Board and focuses on ensuring sound and effective risk management through:

- Setting goals and communicating these goals to employees;
- Including non-financial goals in performance and result assessments;
- Making fixed salaries the only remuneration component.

The Board has the overall responsibility for providing recommendations on employee remuneration.

The Policy will be reviewed by the Board on a regular basis, at least once a year. The design of remuneration policies and practices is approved by the people who effectively direct the business of the Company, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance.

The people who effectively direct the business are responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policy and practices can create.

The Company will be paying fixed remuneration to all staff and no variable remuneration will be provided.

ii. Ratios between fixed and variable remuneration

As stated in the previous section, the Company will not be offering any variable remuneration or bonus to any individual employee.

iii. Aggregated quantitative information on remuneration:

The table below provides aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Company:

Table 9: Aggregate Annual Remuneration as at 31.12.2023

<i>Remuneration as at 31st December 2023</i>	No. of beneficiaries	<i>Annual Remuneration (EUR)</i>		
		<i>Fixed</i>	<i>Variable</i>	<i>TOTAL</i>
<i>Senior Management</i>	<i>4</i>	<i>139,157</i>	<i>0</i>	<i>139,157</i>
Heads of Departments & other staff	<i>6</i>	<i>90,400</i>	<i>0</i>	<i>90,400</i>
Total	10	229,557	0	229,557

Notes:

1. Senior Management personnel includes the Executive Directors and the Non-Executive Directors of the Board of Directors
2. Other Staff includes Senior Officers whose actions have a material impact on the risk profile of the Company.

During 2023, the Company did not pay or award any sign-on or severance payments, nor any guaranteed variable remuneration. It is reminded that the Company was authorised as a Cyprus Investment Firm (“CIF”) on the 13th of March 2023.

7. INVESTMENT POLICY DISCLOSURES

In accordance with Article 52 of the IFR, Class 2 investment firms whose value of on and off-balance sheet assets is on average equal to or more than EUR 100 million over the four-year period (Article 32(4)(a) of IFD) shall disclose the following information:

1. the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
2. a complete description of voting behaviour in the general meetings of companies the shares of which are held, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
3. an explanation of the use of proxy advisor firms;
4. the voting guidelines regarding the companies the shares of which are held.

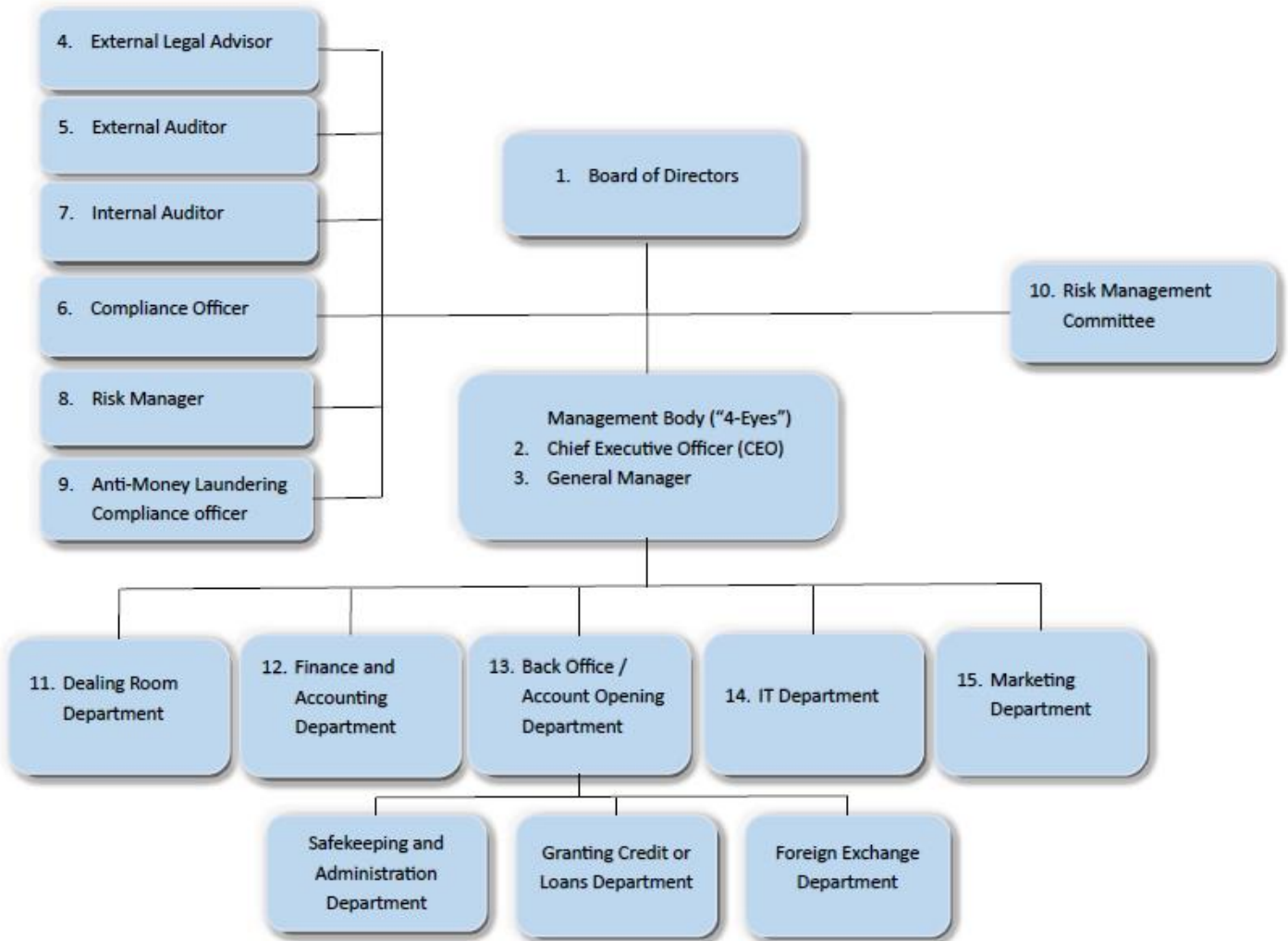
It is noted that the value of the Company's on and off-balance sheet assets is below the EUR 100 million threshold stipulated in Article 32(4)(a) of the IFD, and therefore is excluded from the obligation to disclose information in relation to its investments.

8. ESG DISCLOSURES

As of 26 December 2022, investment firms whose value of on and off-balance sheet assets is on average equal to or more than EUR 100 million over the four-year period (Article 32(4)(a) of IFD), shall disclose information on Environmental, Social and Governance (“ESG”) risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of IFD.

It is noted that the value of the Company's on and off-balance sheet assets is below the EUR 100 million threshold stipulated in Article 32(4)(a) of the IFD, and therefore is excluded from the obligation to disclose information in relation to its ESG risks.

9. APPENDIX 1 – ORGANISATIONAL STRUCTURE AS AT 31/12/2023



1. Board of Directors

Ms. Jianfang Lu – Executive Director (part of “4-eyes”, CY-based)

Mrs. Noura Epaminonda – Executive Director (part of “4-eyes”, CY-based), AML Director, resigned on 30.12.2023

Ms. Daniela Maria Dughinel – Executive Director (part of “4-eyes”, CY-based), AML Director, appointed on 01.04.2024

Mr. Georgios Sardos – Independent Non-Executive Director (CY-based, Director responsible for the AML)

Ms. Lei Sun – Independent Non-Executive Director (CY-based)

Mr. Xiaonan Hua – Non-Executive Director (Australia-based)

2. Chief Executive Officer (CEO)

Ms. Jianfang Lu (full time, CY-based)

3. External Legal Advisor

Sophia Demetriadou & Co LLC, Responsible Legal Advisor: Sophia Demetriadou

4. External Auditor

FINCAP Advisers Ltd (outsourced, CY-based), Partner in Charge: Mr. Angelos Theodorou

5. Internal Auditor

MNK RISK CONSULTING LTD (outsourced, CY-based), Partner in Charge: Mr. Marios Kyriacou

6. Compliance Officer

Ms. Faidra-Charikleia Karaïskou (full time, CY-based)

7. Risk Manager

Ms. Jianfang Lu (full time, CY-based)

8. Anti-Money Laundering Compliance Officer

Ms. Faidra-Charikleia Karaïskou (full time, CY-based)

9. Risk Management Committee

Mr. Georgios Sardos (CY-based)

Ms. Lei Sun (CY-based)

Mr. Xiaonan Hua (Australia- based)

Risk Manager, Ms. Jianfang Lu (no voting rights)

10. Dealing Room Department

Mr. Panagiotis Kalliaras (full time, CY-based)

11. Finance and Accounting Department

MANSECO Ltd (outsourced, CY based), Partner in Charge: Mr. George Papadopoulos

12. Back Office/ Account Opening Department

Mrs. Helen Christoforou (full time, CY-based)

12.1. Safekeeping & Administration Department

12.2. Granting Credits or Loans Department

12.3. Foreign Exchange Department

13. IT Department

Mr. Demetris Alexandrou (full time, CY-based)

14. Marketing Department

Andreas Thalassinou (full time, CY-based)

10. APPENDIX 2 – MAIN FEATURES OF OWN FUNDS

<i>Template EU IF CCA</i>		<i>Common Equity Tier 1 instruments</i>
1	Issuer	HuaPrime EU Ltd (ex Ultima Markets Cyprus 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 Company Law (Chapter 13)
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (EUR)	432,897
7	Nominal amount of instrument (EUR)	432,897
8	Issue price (EUR)	1
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30/06/2021
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>	N/A
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)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	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

* 'N/A' indicates that the particular field is not applicable

11. APPENDIX 3 – SPECIFIC REFERENCES TO THE IFR

IFR Reference (Article)	High Level Summary	Compliance Reference
<i>Scope of Disclosure Requirements</i>		
46 (1)	Requirement to publish disclosures for Class 2 IFs	1.2
46 (2)	Requirement to publish disclosures for Class 3 IFs, issuing AT1 instruments	N/A
46 (3)	Requirement to publish disclosures when a Class 3 IFs no longer meets the criteria to be considered a small and non-interconnected IF	N/A
46 (4)	Determination of the appropriate medium and location to publish the disclosures	1.2
<i>Risk management objectives and policies</i>		
47	Investment firms shall disclose their risk management objectives and policies for each separate category of risk, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm's management body succinctly describing the investment firm's overall risk profile associated with the business strategy.	3
<i>Governance</i>		
48 (a)	Number of directorships	2.2
48 (b)	Diversity Policy	2.3
48 (c)	Risk Committee and number of times the risk committee has met annually	3.6
<i>Own Funds Composition</i>		
49 (1) (a) to (c)	Requirements regarding disclosure of own funds	4
49 (2)	Requirements regarding disclosure of own funds based on EBA Templates (Regulation (EU) 2021/2284)	4
<i>Own Funds Requirements</i>		
50 (a)	Summary of the investment firm's approach to assessing the adequacy of its internal capital to support current and future activities	3.10
50 (b)	Upon a request from CySEC, the result of the investment firm's internal capital adequacy assessment process, including the composition of the additional own funds based on the supervisory review process as referred to in point (a) of Article 39(2) of Directive (EU) 2019/2034 ("IFD")	N/A
50 (c)	The K-factor requirements	5.3

50 (d)	The fixed overheads requirement	5.2
Remuneration policy and practises		
51 (a)	Most important design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, pay out in instruments policy, deferral policy and vesting criteria	6 (i)
51 (b)	Ratios between fixed and variable remuneration	6 (ii)
51 (c)	Aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment firm	6 (iii)
51 (d)	Information on whether the investment firm benefits from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034 (“IFD”)	7 & 8
Investment Policy		
52 (1)	<p>Investment firms which do not meet the criteria referred to in point (a) of Article 32 (4) of Directive (EU) 2019/2034 (“IFD”) disclose the following in accordance with Article 46 of this Regulation:</p> <p>(a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;</p> <p>(b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with Article 52 (2) of the IFR, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved;</p> <p>(c) an explanation of the use of proxy advisor firms;</p> <p>(d) the voting guidelines regarding the companies the shares of which are held in accordance with article 52 (2) of the IFR</p>	<p>N/A – the Company meets the criterion of point (a) of Article 32 (4) of Directive (EU) 2019/2034</p> <p>(i.e., its total on and off-balance sheet assets are less than EUR 100mio over the last four-year period)</p>

52 (2)	The investment firm referred to in Article 52 (1) of the IFR shall comply with that paragraph only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended.	N/A – as per comment in point 52 (1) above
52 (3)	EBA, in consultation with ESMA, shall develop draft regulatory technical standards to specify templates for disclosure under Article 52 (1) of the IFR.	N/A – as per comment in point 52 (1) above
<i>Environmental, social and governance risks</i>		
53	From 26 December 2022, investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 shall disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034.	N/A – the Company meets the criterion of point (a) of Article 32 (4) of Directive (EU) 2019/2034 (i.e., its average on and off-balance sheet assets are <u>less than EUR 100mio</u> over the last four-year Period)