



Magnasale Trading Limited

Pillar III Disclosures for Financial Year 2023

May 2024

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1. Introduction, scope and purpose of this Document

Magnasale Trading Limited (“Magnasale” or the “Company”) is an investment firm incorporated in Cyprus as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) under license number 264/15 and with LEI Code 549300M2TA4XMO4UUZ22, for the conduct of designated investment business in the Republic of Cyprus and other jurisdictions. The Company’s operating license from CySEC permits it to undertake regulated investment services including the services of reception and transmission of orders in relation to one or more financial instruments, the execution of orders on behalf of clients and the dealing on own account. The Company is also authorized to provide the ancillary services of safekeeping and administration of financial instruments, credit granting and foreign exchange services where these are connected to the provision of investment services.

The Company is focused on offering investment services to professional and eligible counterparties engaged in the sectors of Contracts for Difference (“CFDs”) on a solely Business to Business (B2B) model. The business objective of the Company is to act as the liquidity provider and hedging counterparty to the risk assumed by other regulated brokers also engaged in offering CFDs to their retail clients.

Furthermore, it is noted that the Company does not hold any real crypto assets.

We note that the Company is not considered as a Significant CIF as per the conditions set out in CySEC Circular C487, for the financial year covered by these Disclosures.

1.1 Regulatory context

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

The IFR and IFD rules focus on specific methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and the Liquidity Requirement, among others.

The framework consists of three (3) Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The Pillars and their applicability to the Company, are summarised below:

- Pillar I - Minimum Capital Requirements - ensures that the Company maintains at all times a sufficient amount of capital and liquid resources, that remain above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- Pillar II - ICARA and Supervisory Review and Evaluation Process (“SREP”) - ensures that the Company and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Company faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Company's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Company and its peers.

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

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- Common Equity Tier 1 Capital of at least 56% of minimum capital requirements
- Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of minimum capital requirements
- Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of minimum capital requirements.

Moreover, the Company is required to maintain liquid assets equal to at least one third of its Fixed Overhead Requirement.

The Company is a Class 2 CIF and is required to hold €750K (\$829K as at 31st of December 2023) of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

Magnasale's Pillar III disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2023. This Report should be read in conjunction with the audited financial statements of the Company, which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). The disclosures are made on a solo basis and are published annually. Furthermore, the Company has commissioned its External Auditors to verify its Pillar III Disclosures. Where in this Report there are references to "reference date", this is the 31st of December 2023.

The Company's Pillar III disclosures are published on the Company's website through the 'Legal and Regulation' section. Please refer to the following links: <http://magnasaleltd.com/>.

Unless stated otherwise, all amounts are in thousands of United States Dollars ("US\$" or "USD").

1.2 Examination of the development, position and performance of the activities of the Company

The intention of the Group, as already communicated to CySEC, was to proceed with a plan to phase out the operational activities of the Company. During 2023 the migration of a number of B2B clients to the affiliate company, namely Safecap Investments Limited, was completed.



2. Governance, Risk Management Objectives and Policies

2.1 The Board of Directors

The Company's Board of Directors (the "Board" or "BoD") is required to assess and review the effectiveness of the policies, arrangements and procedures put in place for the Company to comply with its obligations under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (the "Law"), as well as the relevant CySEC Directives and the IFR and to take appropriate measures to address any deficiencies. The responsibilities of the Company's Board of Directors include, among others, the following:

- Approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks that the Company is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- Ensure that all the Risk Management regulatory requirements are applied, and that appropriate systems and controls are introduced;
- Be actively involved in and ensure that adequate resources are allocated to the management of all material risks, as well as in the valuation of assets, the use of external credit ratings and internal models relating to those risks;
- Review and approve the Annual Risk Management Report and take all action as deemed appropriate under the circumstances to remedy any weaknesses and/or deficiencies identified in the Annual Report.

The BoD's role is supported by a number of sub-committees, each of which assume specific risk-related tasks and responsibilities.

As at 31st December 2023, the Board comprised of two (2) Executive and four (4) Non-Executive Directors.

2.2 Diversity in the selection of members of the management body

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the markets in which it does business. It recognizes that successful businesses flourish through embracing diversity into their business strategy and developing talent at every level in the organization.

The Company has established the Suitability and Diversity of Management Body Policy with the aim to engage a broad set of qualities and competences when recruiting members of the Management Body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Management Body.

2.3 Number of Directorships held by the Board Members

The table below provides the number of directorships that each member of the management body of the Company holds at the same time in other entities (excluding the directorship in Magnasale and its related entities that belong to the same group), as at the time of preparation of this Report. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below. Executive or non-executive directorships held within the same group, are considered as a single directorship.



Table 1: Number of directorships held by the Company's Board members excluding position in Magnasale

Name ¹	Position in Magnasale	Total number of Executive Directorships	Total number of Non-Executive Directorships
Stavros Anastasiou	Executive Director	-	-
Christiana Solomou ²	Executive Director		
Damien Francis	Non-Executive Director	-	1
Athos Demetriou	Non-Executive Director	1	2
Stanislav Bunimovich ²	Non-Executive Director	-	-
Stelios Prodromitis	Non-Executive Director	1	1

¹ The information presented in this table is based only on representations made by the directors of the Company.

² Mr. Matan Shvili resigned on 30 April 2023 from his position as Executive Director. On 1st February 2023 Mr. Stanislav Bunimovich and Mrs. Christiana Solomou were appointed as Non-Executive and Executive Directors respectively.

2.4 Risk Management Framework

The risk strategy of the Company aims to ensure substantial growth in combination with a moderate risk profile, through the establishment of an effective Risk Management framework. The Company's overall governance, system and control framework is deployed on the basis of the three (3) levels of defense – model, including functions that own and manage risks, oversee risks and provide independent assurance.

The Company operates a dedicated Risk Management function under which the Chief Risk Officer is responsible for implementing the Risk Management Policy of the Company set by the Board of Directors and the Risk & Compliance Committee and ensuring that it is properly followed under the supervision and control of the Committee.

The Company aims to follow a continuous and systematic Risk Management process by following steps for Risk Identification, Risk Assessment, Risk Treatment and Risk Reporting.

The Risk Management function is tasked with the following duties and responsibilities:

- Implementing policies on risk management and internal control.
- Identifying and evaluating the fundamental risks faced by the Company for consideration by the Risk & Compliance Committee.
- Providing adequate information in a timely manner to the BoD and the Risk & Compliance Committee on the status of risks and controls.
- Undertaking reviews on the effectiveness of the system of internal controls.
- Producing and disseminating reports to the Risk & Compliance Committee and the CEO, on a frequent basis. These reports include details of the Company's total exposure across all instruments, information about clients' positions and the positions opened by the Company as part of its hedging activity, amongst others.

2.5 Risk & Compliance Committee

The Board has established a Risk & Compliance Committee to oversee on behalf of the Board all matters relating to risk management and regulatory compliance. All members of the Committee have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company. More specifically,



the Company's Risk & Compliance Committee aims to assist the Board of Directors in fulfilling its risk management responsibilities and to provide a regular forum at the level of the Company in order to discuss, monitor and evaluate material risks and controls in place.

The Company's Risk & Compliance Committee has been tasked with the following responsibilities:

- Reviewing and assessing the integrity and adequacy of the Company's Risk Management Framework, including processes, policies and organizational structure, as well as proposing new ones.
- Promoting a consistent Risk Management oversight, setting and approving credit and market limits, reviewing limit excesses.
- Examining the appropriateness of incentives provided by the remuneration system, and ensuring that they take in consideration risk, capital, liquidity and the likelihood and timing of earning streams.

The Committee is comprised of non-executive directors of the Board. The Committee met four (4) times during the year 2023.

2.6 Nomination Committee

The main objective of the Nomination Committee is to review the structure, size and composition of the Board and its committees and to make recommendations with regard to any changes considered necessary in the identification and nomination of new Directors, the removal of Directors, the reappointment of existing Directors and the appointment and removal of members to the Board's committees. The Nomination Committee's arrangements put in place are proportionate to the tasks, size, complexity and risk profile of the Company. The Nomination Committee acts independently from the management of the Company, and all members of the Committee must have appropriate knowledge, skills and expertise to fully understand and monitor the remuneration strategy and appetite of the Company. The Nomination Committee has a responsibility to assess the roles of the existing Directors in office to ensure that there continues to be a balanced Board in terms of skills, knowledge, experience and diversity.

The Company is not classified as a significant CIF, as per the criteria set out in the CySEC Circular C487 regarding the "Redefined threshold criteria of significant CIF". Thus, it is not obliged to have in place a Nomination Committee. Nevertheless, the Company has decided to prudently continue having this Committee in place.

2.7 Money Laundering Reporting Officer

The Company retains a person as its Money Laundering Reporting Officer ("MLRO"). The MLRO reports directly to the Board and is assisted in his/her responsibilities by other members of the Compliance function, who act at his/her direction and oversight. The overall responsibility for the prevention of money laundering and terrorist financing lies with the Board of Directors. The MLRO also has the responsibility to prepare and present the Anti-Money Laundering Report to the Board.

2.8 Chief Compliance Officer

The Company has a Chief Compliance Officer ("CCO") who acts independently and is, among others, responsible to monitor and assess the adequacy and effectiveness of the measures and procedures put in place, as well as to evaluate the actions taken to address any deficiencies, and ensure the Company's compliance with its obligations under the



Law and the Directive. The CCO is also responsible for the preparation of the annual Compliance Report which is sent to the Board of Directors.

2.9 Internal Audit

The Internal Audit Function of the Company is independent and autonomous and is responsible for the review and evaluation of the operations and activities of the Company in all respects, and the provision of recommendations and advice to ensure that the Company operates at the highest standards and in accordance with best practices and with the applicable legal and regulatory framework. The Internal Auditor is an independent function with a direct reporting line to the Board of Directors.

2.10 Risk Management Strategies and Capital Management

A designated team of professionals monitors the Company's exposures on an ongoing basis. Also, the Company prepares various reports (i.e. Risk Management Report, Compliance Report, AML Report) that enable the analysis of risks and provide support for future action plans.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital and liquid resources to ensure that it will be able to continue as a going concern, while increasing the return to its shareholders.

2.11 Internal Capital Adequacy and Risk Assessment Process ("ICARA")

The Company needs to keep additional capital to cover its Pillar II risks. The amount of this capital is determined internally by the Company, through the performance of the ICARA process. Upon CySEC's request, the ICARA is collected by the CySEC and undergoes the Supervisory Review and Evaluation Process ("SREP"). Following the SREP, the final Pillar II capital deemed as necessary by the CySEC is communicated to the Company and considered as an additional requirement affecting the minimum required Capital Adequacy Ratio.

Part of the ICARA process is to identify the risks associated with the activities of the Company on a forward-looking basis. For each of the identified risks, the Company assesses if the risk is sufficiently covered by Pillar I or if additional Pillar II requirements need to apply. The CRO is responsible for the preparation of the annual ICARA report which is being submitted to the BoD for approval and subsequently to CySEC upon request. The Company incorporates a stress-testing framework in the ICARA Report. The Pillar II capital requirements are calculated taking into consideration the results from the stress testing and capital allocation exercises of the ICARA.

The CRO is responsible for the dissemination of the ICARA results throughout the Company (from the Board towards all employees), the implementation of the suggestions/requirements and the monitoring of the progress. The ICARA report should be revised and approved by the Board of Directors and be readily available for review by the CySEC.

2.12 Board Risk Statement

The Risk Appetite Statement defines the level of risk the Board is willing to take in pursuit of its business objectives and strategic goals. It defines the parameters within which the Company can operate and the relevant risks it can assume, both on an individual as well as on an aggregated basis.

The Risk Appetite Statement includes some high-level principles and key risk indicators to alert Management and the Board of Directors of any risk concerns and triggering appropriate responsive actions. Specific limits are in place, which are embedded in the risk monitoring systems and reporting, to cap the amount of risk the Company will take.

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The Board of Directors has identified several categories of principal risk and established policies and procedures that seek to manage them:

- Regulatory Risk
- Operational Risk
- Liquidity Risk
- Credit and Counterparty Risk
- Market Risk.

The Board of Directors periodically revises the Risk Appetite Statement and its management framework, analyzing the impact of unlikely but plausible tension scenarios and adopting the pertinent measures to ensure the policies set are met.



3. Principal Risks

The Company aims to follow a continuous, active, and systematic Risk Management process of well-defined steps in order to understand, manage and communicate risks from a firm-wide perspective. This is achieved through the effective identification, assessment, treatment and reporting of internal and external risks.

3.1 Risk to Client

Risk to Client (“RtC”) reflects the risk covering the business areas of an investment firm from which harm to clients can conceivably be generated in case of problems. The K-factors that are reflected under RtC based on the IFR Pillar I methodologies, are the following:

- **K-AUM (Assets Under Management)**

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. During the year ending 31 December 2023, the Company was not subject to the risk relating to this K-factor since it did not offer the investment services of “Portfolio management” and “Investment Advice”.

- **K-CMH (Client 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 provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. K-CMH 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 the client money via a third-party mandate. Based on the reference year, as part of its business, the Company receives from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by this K-factor.

- **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. During the year under review, the Company offered safeguarding services only in relation to the CFD positions of its clients, which is captured under K-CMH in consideration of the nature of CFD products. Therefore, the Company was not subject to the risk relating to this K-factor.

- **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. The Company executes its clients’ orders by acting as principal to their trades, therefore the risk reflected by this K-factor does not apply.

3.1.1 K-CMH

The Company is subject to CMH that captures the risk of potential for harm where an investment firm holds the money of its clients and provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. This risk from a capital point of view covers the Company’s off-balance sheet items.



When holding client money, the Company takes necessary measures to safeguard such funds as appropriate, with an aim to ensure compliance with Directive DI87-01 for the Safeguarding of financial instruments and funds belonging to clients.

As at 30 April 2023, the Company's clients with equity balances were migrated to Safecap Investments Limited. The entity will continue the operation of its licensed activities.

3.2 Risk to Market

Risk to Market ("RtM") is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, foreign exchange rates and commodity prices. Market risk arises from the Company's exposures to financial instruments and to changes in the market prices of these financial instruments. Market risk comprises of equity risk, interest rate risk, foreign exchange risk and commodity risk.

There are two K-factors that capture the principal risks under RtM:

- **K-NPR (Net Position Risk)**

This k-factor is measured in accordance with the CRR rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities (Note: CRR refers to the Capital Requirements Regulation comprising of EU Regulation No. 575/2013 on prudential requirements for credit institutions, as amended or replaced from time to time). Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Company's income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, non-Trading Book interest rates, non-Trading Book foreign exchange rates). Exposure to Market risk at any point in time depends primarily on short term market conditions and the levels of client activity. Based on the reference year, this K-factor was applicable to the Company.

- **K-CMG (Clearing Margin Given)**

This is an alternative to K-NPR to provide for Market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of the IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. Based on the reference year, this K-factor is not applicable to the Company due to the nature of its operations.

3.2.1 K-NPR

The Company deems Market risk as one of the highest inherent risks that it bears. The Company's exposures to Market risk arise from the clients' trading on the Company's online platforms as well as from some on-balance sheet Banking Book exposures, which give rise to Market FX risk. As at 31 December 2023 the Company had no open trades and therefore Market risk was derived solely from its Banking Book assets and liabilities that were denominated and funded in a currency other than its reporting currency, the USD (Market FX risk).

The Company has in place a Market Risk Policy which outlines how Market risk is managed. In particular, the policy establishes market position limits reflecting Magnasale's risk appetite for each financial market in which clients can trade. These limits are determined based on the trading levels, volatilities and the market liquidity of the underlying financial product or asset class. The Company's operational model means that, where client exposures exist, not all such exposures are hedged, thus the Company may have a residual position in any of the CFDs it offers. Exposure to Market risk depends primarily on short term market conditions and the levels of client activity. It is mitigated through



natural hedging arising from client positions, and by hedging trades that can be performed by the Company at its own discretion.

The Company also has in place a real-time market position monitoring system which enables it to continually monitor its market exposure against these limits so that relevant action is initiated. This can include hedging the excess exposure using hedging accounts maintained with other broker or limit locks, without any more exposure being accepted. More specifically, Market Risk is monitored on a continuous basis by the Dealing team, which acts accordingly, depending on the internal hedging strategy and limits. Market risk is monitored both for Capital Adequacy ratio purposes and for meeting Group Market Risk limits.

3.3 Risk to Firm

Risk to Firm (“RtF”) captures an investment firm’s exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

- **K-TCD (Trading Counterparty Default)**

K-TCD means the exposures in the Trading Book of an investment firm in specific instruments and transactions giving rise to the risk of trading counterparty default. This methodology replaces the Counterparty Credit Risk that was being implemented under the previously applicable framework, CRR. The Company, as at the reference date, was not exposed to TCD since as mentioned above, it had no open trades.

- **K-DTF (Daily Trading Flow)**

K-DTF means the daily value of transactions that a CIF enters through dealing on own account or the execution of orders on behalf of clients in its own name. DTF aims to capture the Operational risks from an CIF’s daily trading flow. The Company is exposed to DTF due to the fact that it executes its trades on a principal basis (i.e. dealing on own account).

- **K-CON (Concentration Risk)**

K-CON means the exposures in the Trading Book of an investment firm to a client/counterparty or a group of connected clients/counterparties, the value of which exceeds the limits specified in the IFR. As at the reference date, the Firm had no Trading Book exposures and thus it was not subject to K-CON risk.

3.3.1 K-DTF

As previously mentioned, DTF aims to capture the operational risks from investment firm’s daily trading flow. DTF is calculated and monitored on a regular basis by the Dealing and Risk Departments, and in case of a limit breach, actions are taken place to rectify the issue immediately.

3.4 Other Risks

3.4.1 Operational Risk (other than DTF)

In general, Operational risk is defined as the risk of loss that can result from inadequate internal processes, people, system errors or external events, as well as other risks such as fraud, legal or physical and environmental risks.



The Company, due to its nature, is primarily exposed to Operational risks arising from potential system / trading platform failures or delays, internal practices, as well as Legal and Compliance risks. The Company is partially dependent on third parties, including entities within its own Group, for the key technological systems, infrastructure suppliers, data providers and data sources. To remain competitive, the Company continues to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

Furthermore, the Company has business continuity procedures and policies in place which are designed to allow it to continue trading in its core markets. The Company's systems are designed to mitigate the risk of failure of any component, enabling the Company to continue to function in the event of an incident, adverse event or business disruption. The Company has also developed and implemented an Operational risk portal through which any operational incidents are reported, evaluated and mitigated, as well as a Key Risk Indicators' framework for each business and functional area, enabling the Company to monitor at regular intervals its performance versus key Operational risk areas.

3.4.2 Regulatory and Compliance Risk

Regulatory Risk comprises of the risk that legal or regulatory changes that may be imposed by the European Union or by CySEC adversely affect the results and financial position of the Company. Accordingly, Compliance risk reflects the exposure to legal penalties, financial forfeiture, and material loss an organization faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

Non-compliance with the regulatory framework of jurisdictions in which the Company's trading platform is accessible from, could adversely affect the Company's profitability and may result in the suspension, revocation or amendment of its licenses and/or other enforcement action. Increased regulatory scrutiny of the industry in which the Company operates could adversely affect the Group's revenue, business and profitability. Changes to the EU regulatory framework, current and proposed EU regulations and directives could restrict the Company's business. The implementation of necessary changes to comply with the increased regulatory framework could potentially result in significantly additional demand on the Company's resources.

To mitigate Regulatory and Compliance Risk, the Compliance and Risk Management Departments, as the second line of defence, are responsible for assessing and monitoring this risk category. To this end, all Company areas are assessed using the inherent and residual risk applied to each area by the responsible manager, the Compliance Officer, and the Board of Directors. In particular, the Departments keep abreast of regulatory developments, participate in material regulatory consultations, and aim to anticipate regulatory issues by providing advice to the Company's Board and the business on such matters on an ongoing basis. External legal advice is obtained on new regulations affecting the CFDs sector in the jurisdictions in which the Company operates. Relevant actions are then initiated by the Company to ensure comprehensive and consistent compliance at all times.

3.4.3 Money Laundering Risk

Money Laundering risk entails all practices and methods that may be used by the Company's clients, counterparties and/or partners to launder money using the Company's services. The Company has established processes and procedures to identify, assess and understand the money laundering (ML) and terrorist financing (TF) risks that the Company may be exposed to. In identifying potential risks, the Company is using the guidance and recommendations



of the FATF and the European Union. This risk is considered high due to the non-face-to-face nature of the Company's business.

The primary responsibility for the assessment of the risks identified lies with the Company's MLRO, as well as the Board of Directors and to this end, a risk assessment using the inherent and residual risk of each of the identified risks is performed by both parties and by the Chief Compliance Officer. The use of a three-party assessment ensures subjectivity is minimised as far as possible, allowing the Company to effectively monitor the risks identified.

Any updates to the regulatory framework which affect the Company's AML processes are brought to the attention of the Risk & Compliance Committee and the Board on a quarterly basis, accompanied by any changes in the Company's process and suggestions for relevant improvements.

3.4.4 Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

Moreover, the Company monitors the amount of its liquid resources to ensure that it remains at all times above the Liquidity requirement set by the IFR & IFD framework. As at 31st of December 2023 the Company satisfied the Liquidity Requirement.



4. Own Funds

The prudential framework for investment firms set out in the IFR and the IFD is designed to reflect the nature, size, and complexity of investment firms. As per the rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

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

Table 2 below presents the composition of the Company's Own Funds as at 31 December 2023, while Table 3 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and they have been prepared using the format set out in the Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of Regulation (EU) 2019/2033 with regard to supervisory reporting and disclosures of investment firms.

As shown below, as at 31st of December 2023 the Company's Own Funds comprised entirely of Common Equity Tier 1 capital and amounted to \$27.091K.

Table 2: Template EU IF CC1.01 - Composition of Regulatory Own Funds

31 December 2023		(a)	(b)
		Amounts (\$'000)	Source based on reference numbers of the Balance Sheet in the audited Financial Statements (cross reference to Template EU IF CC2)
Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	OWN FUNDS	27.091	
2	TIER 1 CAPITAL	27.091	
3	COMMON EQUITY TIER 1 CAPITAL	27.091	
4	Fully paid up capital instruments	3	Ref. 1 (Shareholders' Equity)
5	Share premium	28.977	Ref. 2 (Shareholders' Equity)
6	Retained earnings	-	Ref. 3 (Shareholders' Equity)
17	(-) Losses for the current financial year	(1.823)	Ref. 3 (Shareholders' Equity)
27	CET1: Other capital elements, deductions and adjustments	(66)	Ref. 1 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	



Table 3: Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

31 December 2023 (\$'000)		(a)	(c)
		Balance Sheet as in audited Financial Statements	Cross reference to Template EU IF CC1
Ref.	Assets - Breakdown by asset classes according to the Balance Sheet in the audited Financial Statements		
	Total Assets	27.410	
	Of which:		
1	Trade and Other Receivables (Investor Compensation Fund)	66	Ref. 27
Ref.	Liabilities - Breakdown by liability classes according to the Balance Sheet in the audited Financial Statements		
	Total Liabilities	253	
Ref.	Shareholders' Equity		
	Total Shareholders' Equity	27.157	
1	Share Capital	3	Ref. 4
2	Share Premium	28.977	Ref. 5
3	Retained Earnings	(1.823)	Ref. 6&17



5. Minimum Capital Requirements

The IFR & IFD framework's approach for calculating the Minimum Capital Requirements for Class 2 investment firms, dictates that they should be derived by taking the highest of the Fixed Overhead Requirement ("FOR"), the Permanent Minimum Capital Requirement ("PMCR") and the K-factors that apply to each investment firm.

5.1 Fixed Overheads requirement (FOR)

The Company reports its FOR to the Group CFO and some Senior Management members on a weekly basis and on a quarterly basis to the regulator. The Board of Directors and the Risk & Compliance Committee members are also informed about the FOR on a quarterly basis, in which the Risk department shares with all members end of month results.

Magnasale calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The FOR as at 31 December 2023 amounted to \$93K.

5.2 Permanent Minimum Capital Requirement (PMCR)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the PMCR of €750K. However, the Firm's reporting currency is USD so, as at the reference date, this translates to \$829K, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

5.3 "K-factor" Capital Requirement

The Company calculates its overall "K-factor" capital requirement which is the sum of "K-factor requirements" grouped in three categories: Risk-to-Client (RtC), Risk-to-Market (RtM) and Risk-to-Firm (RtF), in accordance with Articles 16 through to 33 of the IFR (and as described in further detail in Section 3). The total K-Factor requirement as at 31st of December 2023 amounted to \$1.032K.

Table 4 breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2023.



Table 4: Minimum Capital Requirements

Minimum Capital Requirements		31 December 2023 (\$'000)
K-Factor Requirement		
Risk-to-Client (RtC)	K-AUM	-
	K-CMH	6
	K-ASA	-
	K-COH	-
Risk-to-Market (RtM)	K-NPR	1.020
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	-
	K-DTF	6
	K-CON	-
Total K-Factor Requirement		1.032
Fixed Overhead Requirement (FOR)		93
Permanent Minimum Capital Requirement (PMCR)		829

According to the IFR & IFD requirements, the Company's Minimum Capital Requirement as at 31st of December 2023 was determined by the total K-Factor Requirement and amounted to \$1.032K.

Table 5 below indicates the excess capital and the Capital Adequacy ("CAD") Ratio of the Company. As indicated, the Company's CAD Ratio as at 31 December 2023 amounted to 2.626,05%, which exceeded the minimum required threshold of 100%, leading to a capital surplus of \$26.059K.

Table 5: Capital Excess/Ratio

Item Description	31 December 2023 (\$'000)	Reference
Capital		
Common Equity Tier 1	27.091	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	27.091	a
Own Funds Requirement		
K-factor Requirement	1.032	b
Fixed Overhead Requirement	93	c
Permanent Minimum Capital Requirement	829	d
Minimum Own Funds Requirement	1.032	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	26.059	a-e
CAD Ratio	2626,05%	a/e



6. Remuneration Policy

The Remuneration Policy sets out the Company's policy for remuneration practices in compliance with regulatory requirements and the corporate objective of balancing risk and performance through hiring and retaining competent and committed executives for the longer term. The aim is to ensure that short term incentives do not create conflicts of interest. In this respect, the Remuneration Policy should encourage responsible business conduct, avoidance of conflicts of interest and overall fair treatment for clients. In addition, it outlines the internal control processes and procedures implemented within the Company with respect to having in place risk-focused remuneration controls and procedures which are consistent with and promote a code of conduct that ensures the avoidance of conflicts of interest that might lead to detrimental outcomes to the clients of the Company.

The internal governance processes provide a robust level of oversight and control over remuneration policies and risk management to ensure that remuneration decisions are aligned with the risk appetite of the Company, premised on the mapping of potential conflicts. The internal governance of remuneration is managed primarily by the Board of Directors and the Remuneration Committee of the Board ("REMCO"). REMCO receives input from the respective Business Heads as well as from the Compliance, Risk, Audit, and HR Management functions.

Remuneration Committee

Role and Responsibilities

The main objective of the Remuneration Committee ("REMCO") is to determine and apply a Remuneration Policy on behalf of the Board and to ensure compliance with best practice in the area of remuneration and reward. The REMCO is required to make suitable arrangements in order to achieve prudent recognition of any deficiencies identified in terms of remuneration within the Company and approves remuneration policies that may need to be implemented, from time to time, by the respective relevant departments within the Company.

The role and remit of the REMCO, in conjunction with the Risk & Compliance Committee, focuses on the remuneration practices of Directors, Senior Management, Risk takers, Sales executives and all other employees of the Company that receive (or may in the future receive) any form of variable pay. Additionally, the remit of the REMCO includes ensuring that the Company has in place a Remuneration Policy ("the Policy", for the purposes of this section) that addresses all regulatory requirements. More specifically, the role of the REMCO is to:

- Be responsible for the preparation of decisions on remuneration to be taken by the supervisory function, in particular regarding the remuneration of the members of the BoD in its management function, i.e. executive directors, as well as Identified Staff.
- Provide its support and advice to the BoD on the design of the Policy, including its gender neutrality.
- Support the BoD in overseeing the remuneration policies, practices and processes and the compliance with the Policy.
- Check whether the existing Policy is still up to date and if necessary, make proposals for changes.
- Review the appointment of external remuneration consultants that the supervisory function may decide to engage for advice or support.
- Ensure the adequacy of the information provided to shareholders on remuneration policies and practices.
- Assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture and the long-term interest of the Company.
- Assess the achievement of performance targets and the need for ex-post risk adjustment, including the application of malus and claw back arrangements.



The Compliance Department makes recommendations to REMCO for any changes in remuneration practices, vesting conditions and levels. Furthermore, it makes recommendations to REMCO for bonus/variable pay pools, taking into consideration the Company's Financial Results, Department performance, individual employee performance, as well as the feedback from the Company's Compliance and Risk Management functions. The Senior Management directs and oversees the implementation of remuneration practices by the Policy owners who are the CEO and the Human Resources Manager.

Fixed and Variable Remuneration

Compensation Mix

The REMCO, when determining remuneration awards, considers the need to ensure an appropriate ratio between fixed and variable pay to ensure that the Company and the Group are able to operate a fully flexible incentive policy under a hybrid remuneration model. This includes the ability to pay no bonuses or other incentive pay should performance of the Company and Group and / or of an individual require this.

Fixed Remuneration

Fixed remuneration serves to compensate employees according to their qualifications, experience and skills, as well as the requirements, significance and scope of their work. Specifically, it includes the contractually agreed monthly recurring salary.

The appropriate amount for an employee's fixed remuneration shall be determined based on a market comparison of his/her role, general salary levels within the Company, the labor market situation in the industry and at the respective location, and the regulatory requirements for the structures applicable to total remuneration. Competitive fixed remuneration plays an important role in attracting and retaining employees. This guarantees that the Company and the Group have the competencies required to meet their strategic goals. The Company's employees are awarded with a fixed monthly remuneration.

Variable Remuneration

The Company employs two (2) types of variable remuneration:

- Annual discretionary performance-related bonus, which all employees are eligible to receive following the year under review.
- Commission-based on First Time Deposits ("FTDs") and/or spread share paid to specific employee categories.

Qualitative and quantitative criteria are taken into account for the determination of variable remuneration. These criteria reflect the desired conduct of the employees to act in the best interest of the clients and in a manner that has regard to focusing on the long-term sustainable performance of the Company versus short term risk taking or malpractices. Variable remuneration also has the benefit that it can differentiate performance results and promote practices by means of suitable incentive systems, which in turn affect the corporate culture.

The maximum variable remuneration payable to an employee is limited to 100% of the employee's fixed remuneration. Up to 100% of the total variable remuneration is subject to claw back arrangements. Whenever any of the following cases are met the claw back clause is triggered, and a waiver may only be granted following decision by the REMCO:

- Cases where the employee participated or was responsible for conduct which resulted in significant losses for the Company.
- Cases where the employee failed to meet appropriate standards of fitness or in instances of individual gross misconduct.



Bonus Pool Determination (including risk adjustment)

The discretionary annual bonus pool for the employee remuneration is suggested to the REMCO for its consideration and evaluation. The REMCO makes final recommendations to the Board of Directors, which has the responsibility for the final sign off. The work of all relevant committees is based on an assessment of the financial performance for each financial year against targets and a quantitative and qualitative assessment of the risks taken during each financial year, as well as matters relating to capital management and regulatory compliance. The Board of Directors reviews the annual bonus pool to ensure (a) that all relevant business risks have been assessed and taken into account and (b) that sufficient amounts are allocated to ensure the Company and the Group are able to maintain a robust capital base.

Performance Management Approach

The Company and the Group operate an annual appraisal process which establishes objectives for all staff covering both financial and non-financial metrics, specific behavioral competencies, including compliance and risk management behaviors with regards to the Company's and Group's values, Code of Conduct, policies and procedures.

Performance against non-financial metrics has a significant influence on the overall performance rating and poor performance against non-financial metrics will result in the reduction of an employee's annual incentive award. Annual performance ratings are independently reviewed (and challenged where appropriate) and calibrated at a Company and Group level to ensure that ratings have been applied consistently and performance has been effectively differentiated.

Under the remuneration framework, remuneration decisions are made based on a combination of business results, performance against objectives, general individual performance of the role and adherence to the Company's values, Code of Conduct, policies and procedures.

The Company has substantially the same Board of Directors with its affiliate Safecap Investments Limited ("Safecap"). The activities of the Company are executed by staff of Safecap, who are either seconded and/or on joint sharing arrangements with Safecap. As a result, the Company has not paid any wages and salaries during the year.

The only remuneration-related payment made by the Company to staff whose professional activities have a material impact on the Company's risk profile was the fees paid to Non-Executive Directors, which amounted to \$67K. During 2023, the Company did not pay or award any deferred remuneration, any severance payments, or any guaranteed variable remuneration. The Firm also did not award any deferred remuneration or severance payments for/in previous performance periods.



Appendix: Main Features of Own Funds Instruments

Template EU IF CCA		a
		Common Equity Tier 1 Capital
1	Issuer	Magnasale Trading Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (USD, as of most recent reporting date)	2.532
7	Nominal amount of instrument	5.000
8	Issue price	Various
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	15/05/2014-30/06/2016
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
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
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	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	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

Magnasale Trading Limited – Pillar III Disclosures



Template EU IF CCA		a
		Common Equity Tier 1 Capital
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A