



**Prochoice**  
Chrimatistiriaki Ltd

## **Prochoice Chrimatistiriaki Ltd**

**Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014**

**YEAR ENDED 31 DECEMBER 2022**

**May 2023**

## CONTENTS

1. General Information and Scope of Application.....	3
2. Governance – Board and Committees.....	5
2.1 The Board.....	5
2.2 Board - Diversity Policy.....	6
2.3 Number of directorships held by members of the Board.....	6
2.4 Structure and Organization of the Risk Management Framework.....	7
2.5 Board Risk Statement.....	8
3. Current Regulatory (Prudential) Framework.....	9
4. Own Funds.....	11
5. Principal Risks.....	13
5.1 Risk to Client.....	13
5.2 Risk to Market.....	16
5.3 Risk to Firm.....	16
6. Minimum Capital Requirements .....	18
7. Liquidity risk .....	20
8. Regulatory and Compliance risk .....	20
9. Remuneration Disclosures.....	21
Appendices.....	23

## **1. General Information and Scope of Application**

### **Requirements of the Regulation (EU) No 2019/2033**

The information below is disclosed in accordance with the Part Six of the IFR, Section 50(1)(f) of Law 165(I)/2021 of the CySEC for the Prudential Supervision of Investment Firms, which harmonises the IFD with local legislation and 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.

The information that the Company discloses herein relates to the year ended 31 December 2022.

### **Principal Activities**

Prochoice Chrimatistiriaki Ltd was incorporated in Cyprus 7<sup>th</sup> May 2008 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company has applied for and obtained a license with Number 100/09 in July 2009 from the CySEC to operate as a Cyprus Investment Firm and has a LEI code of 213800AXCQ9J9EVHNP33.

Also, the company is a member of the Cyprus Stock Exchange (CSE) and a distant member of the Athens Stock Exchange (ASE).

Currently, the Company has a license to offer the following investment and ancillary services based on the applicable laws and regulations of the period under review:

<b>Investment Services</b>
Reception and transmission of orders in relation to one or more financial instruments
Execution of Orders on Behalf of Clients

  

<b>Ancillary Services</b>
Safekeeping and administration of financial instruments, including custodianship and related services
Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Foreign exchange services where these are connected to the provision of investment services
Investment research and financial analysis of other forms
Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services

  

<b>Tied Agents</b>
Approved Tied Agents

The Company is operating online through its Online Trading Platform at the website [www.pro-choice.com.cy](http://www.pro-choice.com.cy).

## **Disclosure Policy**

The disclosures included in this Report are made on a solo basis and are published annually. This Report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2022 which are prepared in accordance with the International Financial Reporting Standards (“IFRS”).

Unless stated otherwise, all amounts are in thousands of Euro (“€” or “EUR”) which is the functional currency of the Company.

## **Prudential Framework**

The applicable framework for Investment Firms, came into force on 26th June 2021, is comprised by the prudential rules set by 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”) – harmonized through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021). This prudential framework addresses the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements. Also, the IFR permits a transitional period of five years, until the 26th of June 2026, for certain of the enhanced capital requirements.

The current regulatory framework comprises of three pillars:

- Pillar I covers the calculation of the Capital Adequacy Ratio and Liquidity Requirement.
- Pillar II covers the Supervisory Review and Evaluation Process (‘SREP’), which assesses the Internal Capital Adequacy and Risk Assessment Process (the “ICARA”) and provides for the monitoring and self-assessment of an institution’s capital adequacy and internal processes.
- Pillar III covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.

The Company has not fully reflected the new requirements that arose from the introduction of the IFR/IFR framework as it hasn’t transitioned yet from its Internal Capital Adequacy and Assessment Process (“ICAAP”) to an ICARA process. Prochoice is committed to proceed with the transition in 2023.

## **Russian Invasion to Ukraine**

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

As of 31<sup>st</sup> December 2022, the Company did not have any direct exposures or clients from Russia or the Ukraine.

## **Investment Policy & Environmental, Social and Governance risks**

The Company is not considered as significant CIF given that its total on and off-balance sheet assets are on average less than EUR 100 million over the four-year period immediately preceding the given financial year. Therefore, the Company has no obligation to disclose any information relating to IFR Article 52 (Investment Policy) and Article 53 (Environmental, Social and Governance risks).

### **Scope of the Disclosures**

Prochoice Chrimatistiriaki Ltd does not have any subsidiaries and therefore the information presented in this report relates solely to the Company.

## **2. Governance – Board and Committees**

### **2.1 The Board**

The Board of Directors, which consists of both executive and non-executive independent members, has overall responsibility for the establishment and oversight of the Company's risk management and governance framework. The following are part of the responsibilities of the Board of Directors in relation to risk management:

- Approve and oversee the implementation of the Company's strategic objectives, risk strategy and internal governance.
- Monitor and periodically assess the adequacy and the implementation of the Company's strategic objectives in the provision of investment services and activities and ancillary services the effectiveness of the CIF's governance, arrangements and the adequacy of the policies relating to the provision of services to clients and take appropriate steps to address any deficiencies.
- Oversee the process of disclosure and announcements and must be responsible for providing effective supervision of Senior Management.
- Monitor 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.
- Assess if the Company becomes, at any point in time, significant in terms of size, internal organization and the nature, scope and complexity of its activities.
- Approve internal documents, policies and procedures.
- Ensure the appropriate design, adoption, and implementation of the Company's ICAAP.
- Establishes the company's parameters for risk appetite by providing strategic leadership quittance.
- Reviewing and approving annual budgets and forecasts under different risk scenarios.
- Reviewing and monitoring the company's risk performance

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed.

As of 31<sup>st</sup> December 2022, the Board comprised of 2 executive directors and 4 non-executive directors.

## **2.2 Board - Diversity Policy**

It is the Board's responsibility to identify, evaluate and select candidates for the Board of the Company and thus a predetermined procedure is followed for such a selection.

Specifically, the members need to have integrity and honesty, the necessary qualifications, education, skills and experience in order to perform their duties. They also need to have financial knowledge, as well as experience relevant with the Company's activities in general and with financial matters. Part of the duties of the Board of Directors is to find and evaluate, based on the above mentioned criteria, possible candidates who would be able to respond to the demands of the Board of Directors of the Company.

The Company recognizes the benefits of having a diverse Board of Directors and as such ensures that they have a suitable and diverse composition, combining individuals who have experience and knowledge of the Group, its businesses and the financial sector in general, with others who have training, skills, knowledge and expertise in other areas and sectors that enable the right balance to be attained in the composition of corporate bodies, to improve operation and performance of their duties.

Therefore, diversity is taken into consideration when determining the optimum composition of the Board of Directors.

## **2.3 Number of directorships held by members of the Board**

The table below provides the number of directorships a member of the management body of the Company holds at the same time in different entities, including Prochoice Chrimatistiriaki Ltd. 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. For the purposes of the below, executive or non-executive directorships held within the same group count as single directorship.

**Table 1: Number of directorships held by the Company's Board members including position in Prochoice Chrimatistiriaki Ltd**

Name of Director	Position within Prochoice Chrimatistiriaki Ltd	Number of Directorships	
		Executive	Non-Executive
Antonis Antoniou	Executive Director	1	2
Andreas Leonidou	Executive Chairman	1	2
Stelios Koiliaris	Non-Executive Director	2	4
Stavros Stavrou	Non-Executive Director	1	1
Stefanos Hailis	Non-Executive Director	1	2
Sergios Sergiou	Non-Executive Director	-	1

## **2.4 Structure and Organization of the Risk Management Framework**

The Company's Risk Management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company's activities. The current Risk Management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives. Within the Company's Risk Management framework there are structures that provide for the validation role of Risk Management, Compliance and Internal Audit functions. Even though these are distinct functions and they perform specific duties in the overall Risk Management framework, there is a considerable degree of overlap and intersect present.

The Company has designed its risk management framework to be proportionate to the scale, nature and complexity of its business, and is comprised of the following components:

- Board of Directors
- Investment Committee
- Risk Management Function
- Compliance and Anti-money Laundering Function
- Accounting and Finance
- Internal Audit (Outsourced)

### Board of Directors

As described in paragraph 2.1 the Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management and governance framework.

### Investment Committee

The Company has established an Investment Committee which consists of three members, the main responsibility of which is to set the investment policy of the Company according to the market environment at the time and formulates the framework in which the asset management and client investment advisory functions of the Company should operate. The Committee has an advisory and supervisory character in relation to matters that directly or indirectly are related to the investment activities carried out by the company.

The Investment Committee during 2022 has met two (2) times.

### Risk Management Function

The Risk Management function adapts and maintains specific policies and risk management procedures that enable the identification of the Company's risks. The Risk Management function is independent from any other units with administrative power and reports to the Board of Directors and the Investment Committee.

Its responsibilities include:

- Providing advice to the Board with regards to the risk management policy of the Company and to ensure that any rewards are weighted by their associated risks.

- Advise various Company business units on risk-return profiles associated with their operations and asset classes they are dealing with. Monitoring the implementation of the Company's agreed policies as defined by the Board of Directors and the various CySEC regulations.
- Develop and improve risk measuring and monitoring mechanisms.
- Reviewing and updating the Company's risk management policies and procedures.
- Assess and report to the Board and the Investment Committee all data, events, actions and new expansion or entry to new investments that can expose the Company to any type of risk, which will have an impact to the Company's operating functions.

#### Compliance and Anti-money Laundering Function

The Compliance function is an independent function. The Company has a Compliance Officer and Anti-Money Laundering Officer that has the responsibility for ensuring that structures and procedures are in place to ensure compliance with laws and regulations, which relate to carrying out business transactions, internal policies and procedures as well as fostering standards of behavior to protect and enhance the reputation of the Company. He/She reports primarily to the Company's Board of Directors and directly to the Managing Director.

#### Accounting and Finance Department

The Accounting department is responsible for the management accounts which are feeding into the Capital Adequacy requirements monitoring and the preparation and timely submission of the relevant reports to the CySEC. Furthermore, is responsible for monitoring the Company's exposure to credit and market risks and for the safekeeping of clients' funds.

#### Internal Audit

The Internal Audit function is outsourced and is administratively independent from any other units of the Company and reports directly to the Board of Directors and the Audit Committee. It is responsible for conducting independent appraisals of the Company's activities, functions and operations to ensure that an adequate framework of internal controls has been established and is operating effectively.

The Internal Auditor is responsible for ensuring that Management has established a framework of specific internal controls, accounting controls and operating procedures, commensurate with exposures to risk and to ensure compliance with the overall guidance of Board-approved policies and applicable regulations. The efforts of the Internal Auditor are augmented through the use of audit resources obtained from third-party vendors in the area of information technology.

### **2.5 Board Risk Statement**

The principal activity of the Company is the provision of financial services within the meaning and terms of the Investment Services and Activities and Regulated Markets Law of 2007 (the "Law"), as amended. As a result of these activities the Company faces a variety of risks. Therefore, the Company's Risk Management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company's activities. The current Risk Management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives. The Risk Management function ensures that relevant controls are put in place to evaluate the effectiveness and the practical implementation of measures to mitigate and manage risks.



### **3. Current Regulatory (Prudential) Framework**

In accordance with Regulation (EU) No. 2019/2033 (the “Investment Firms Regulation”, “IFR”) and Regulation (EU) No. 2019/2034 (“Investment Firms Directive”, “IFD”), Prochoice Chrimatistiriaki Ltd (“the Company” or “Prochoice”) is obliged to disclose information regarding its risk management, capital structure, capital adequacy, its risk exposures as well as the most important characteristics of the Company’s corporate governance, including its remuneration system. The core aim of the IFR is to introduce more proportionate rules for all MiFID II investment firms in relation to capital, liquidity and other risk management requirements, while ensuring a level-playing field between large and systemic financial institutions.

The IFR categorizes Investment Firms (IF’s) 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 the systematically important and larger firms following the CRR/CRD regime. In particular, IFs will now be 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 are categorized 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 new IFR/IFD):** IFs exceeding the categorization thresholds for Small and Non-interconnected Investment Firms.
- **Class 3 IFs (subject to new IFR/IFD, BUT with exemptions):** Small and Non-interconnected Investment Firms.

**Prochoice falls into the Class 2 category** and is subject to the IFR/IFD framework. The minimum regulatory capital requirement for Prochoice will be the greatest of:

- A **Permanent Minimum Capital Requirement** of EUR 150,000;
- A **Fixed Overhead Requirement** at 25% of the firm’s fixed overheads in the previous year; and
- A **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 risk (in the trading book and securities financing type of transactions including REPOs).

The IFR regulatory framework is comprised of three main pillars:

- (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 and Risk Assessment Process (ICARA):** covers the Supervisory Review and Evaluation Process (“SREP”), which assesses the Internal Capital and Risk Assessment Process (“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).

#### **4. Own Funds**

The Company is required to hold Own Funds in sufficient quantity and quality in accordance with the IFR & IFD prudential framework, which sets out the characteristics and conditions for Own Funds.

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

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:

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

The Own Funds of the Company consist solely of Common Equity Tier 1 Capital, which is made up of share capital, reserves (retained earnings and dividends) and audited Profit form current year.

Intangible assets and computer software are deducted from the Company's Common Equity Tier 1 Capital.

Table 2 and Table 3 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 regards to supervisory reporting and disclosures of investment firms.

Table 2 presents the composition of the Company's Own Funds as at 31<sup>st</sup> December 2022, while Table 3 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date. As shown below, the Company's Own Funds as of 31<sup>st</sup> December 2022 consisted solely of CET1 capital resources and amounted to €154K.

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

Template EU IF CC1			
Ref	(€'000)	31 Dec 2022 (€'000)	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements (Cross reference to EU IF CC2)
<b>1</b>	<b>OWN FUNDS</b>	154	
<b>2</b>	<b>TIER 1 CAPITAL</b>	154	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	154	
4	Fully paid up capital instruments	852	Ref 1 (Shareholders' Equity)
6	Retained earnings	(980)	Ref 2 (Shareholders' Equity)
11	Other funds	338	Ref 2 (Shareholders' Equity)
17	(-) Losses for the current financial year	(24)	Ref 2 (Shareholders' Equity)
27	CET1: Other capital elements, deductions and adjustments	(32)	Ref 4 (Assets)
<b>28</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	
<b>40</b>	<b>TIER 2 CAPITAL</b>	-	

**Table 3-Template EU IF CC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements**

Template EU IF CC2			
		Balance Sheet as in audited Financial Statements	Cross reference to EU IF CC1
		31 December 2022 (€'000)	
Ref	Assets		
1	Property, plant and equipment	31	Ref. 27
2	Other Non-current assets	1	Ref. 27
3	Trade and other receivables	895	
4	Cash and cash equivalents (Investor's Compensation Fund)	298	
5	Cash and cash equivalents (Other)	234	
	<b>Total Assets</b>	<b>1.459</b>	
Liabilities			
1	Current liabilities	1.274	
	<b>Total liabilities</b>	<b>1.274</b>	
Shareholders' Equity			
1	Share capital	852	Ref. 4
2	Reserves	(667)	Ref. 6, Ref. 11, Ref. 17
	<b>Total Shareholders' Equity</b>	<b>185</b>	

## 5. Principal Risks

### 5.1 Risk to Client

Risk to Client ("RtC") is the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors under RtC:

- **K-AUM (Assets Under Management)** - K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. During the year under review, the Company did not provide portfolio management or investment advice services, thus the Company was not subject to the risk relating to this K-factor.
- **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. As part of its business, the Company holds funds on behalf of its customers, 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 their own balance sheet or in third-party accounts. During the year under review, the Company provided the ancillary service of safekeeping and administration of Financial Instruments for the account of Clients, hence the Company is subject 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. The Company executes its clients' orders, therefore the risk reflected by this K-factor applies though is immaterial.

### **K-ASA**

The Company, when holding Financial Instruments belonging to Clients, must have in place adequate arrangements so as to safeguard Clients' ownership rights, especially in the event of the Company's insolvency, except with the Client's express consent.

For the purposes of safeguarding Clients' rights in relation to assets belonging to them, the Company shall:

- a) keep records and accounts in the Company's systems as are necessary to enable it at any time and without delay to distinguish assets held for one Client from assets held for any other Client, and from its own assets;
- b) maintain its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the assets held for Clients. The Administration/Back Office Department shall be responsible for ensuring the maintenance of the records and accounts, in every possible event;
- c) conduct, on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom those assets are held, such as between Clients' bank accounts and the custodian's balances (debit side) and Client's credit balances and Financial Instrument balances (credit side). The Head of the Finance & Accounting Department shall be responsible for the reconciliations.

### **K-CMH**

The Company, when holding funds belonging to Clients, must have in place adequate arrangements to safeguard the Clients' rights and, except in the case of credit institutions, prevent the use of Client funds for its own account.

The Company shall, on receiving any Client funds, promptly place those funds into one or more accounts opened with any of the following:

- a) central bank
- b) credit institution
- c) bank authorized in a third country
- d) qualifying money market fund.

In the event that the Company decides not to deposit Client funds with a central bank, it shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank

or money market fund where the funds are placed and the arrangements for the holding of those funds. The Company shall take into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of Clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of Client funds that could adversely affect Clients' rights.

Further to the above, the Head of Safekeeping and Administration Services shall be responsible for ensuring that the Company does not mix its own funds with their Clients' funds. In this respect, the account(s) containing Client funds should be labelled as "Clients' Account".

The Internal Auditor shall be responsible to ensure the above provisions with respect to the proper and adequate maintenance of bank accounts containing Client funds, at least annually.

## **K-COH**

Where the Company shall provide the investment service of execution of orders on behalf of Clients the following shall apply:

- a) the Company must implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its Client orders, relative to other Client orders or its trading interests
- b) in the case of a Client limit order in respect of shares admitted to trading on a regulated market which is not immediately executed under prevailing market conditions, the Company must, unless the Client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately that Client limit order in a manner which is easily accessible to other market participants. The Company is considered to have satisfied this obligation by transmitting the Client limit order to a regulated market or/and MTF.
- c) the Company shall take all reasonable steps to obtain, when executing orders, the best possible result for its Clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, whenever there is a specific instruction from the Client the Company shall execute the order following the specific instruction
- d) the Company shall implement and maintain its order execution policy to allow the Company to obtain, for its Clients' orders, the best possible result in accordance with point (c) above
- e) the order execution policy shall include, in respect of each class of instruments, details on the different venues where the Company executes its Clients' orders and the factors affecting the choice of execution venue and it shall at least include those venues that enable the Company to obtain on a consistent basis the best possible result for the execution of Client orders
- f) the Company shall provide appropriate information to its Clients on its order execution policy and obtain the prior consent of its Clients to the said execution policy
- g) where the order execution policy provides for the possibility that Client orders may be executed outside a regulated market or an MTF, the Company shall, inform its Clients or potential Clients about this possibility and obtain their prior express consent before proceeding to execute their orders outside a regulated market or an MTF. The Company may obtain this consent either in the form of a general agreement or in respect of individual transactions
- h) the Company shall monitor the effectiveness of their order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, it shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the Client or whether it needs to make changes to its execution arrangements. The Company shall notify its Clients of any material changes to its order execution arrangements or execution policy

- i) the Company shall be able to demonstrate to its Clients, at the Clients' request, that it has executed their orders in accordance with the Company's execution policy

The Company shall review annually the execution policy established, as well as their order execution arrangements. Such a review shall also be carried out whenever a material change occurs that affects the ability of the Company to continue to obtain the best possible result for the execution of its Client orders on a consistent basis using the venues included in its execution policy.

## 5.2 Risk to Market

Risk to Market ("RtM") is the risk that an investment firm poses to the financial markets it operates in and the counterparties it trades with.

- **K-NPR (Net Position Risk)** - K-NPR is based on the rules for Market risk for positions in interest rate instruments, equities, foreign exchange and commodities in accordance with Regulation (EU) No 575/2013. Therefore, K-NPR captures the market risk, which is defined as the risk that the value of an investment will decrease due to changes in market factors (such as currency fluctuations, changes in interest rates and movements in equity and commodity prices). The Company's exposure to Market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. During 2022 due to the fact that the company cannot perform the investment activity of dealing for own account, it had no investments in bonds or shares in any stock market. The Company keeps mainly its accounts in Euro therefore no foreign exchange rate risk exists. As of 31 December 2022, the Company was not exposed to currency risk, and to this end this K-factor does not apply.
- **K-CMG (Clearing Margin Given)** - This is an alternative to K-NPR to provide for Market risk for trades that are subject to clearing as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. This K-factor was not applicable to the Company for the year ended 31 December 2022.

### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As of 31 December 2022, the Company was not exposed to currency risk.

## 5.3 Risk to Firm

Risk to Firm ('RtF') is the risk that an investment firm faces through its trading activity and market participation.

There are three K-factors under RtF:



- **K-TCD (Trading Counterparty Default)** - K-TCD captures the Counterparty Credit Risk arising from an investment firm's exposure to the default of its trading counterparties. In particular, TCD means the exposures in the trading book of an investment firm in specific instruments and transactions (includes positions with both clients and liquidity providers) giving rise to the risk of trading counterparty default. Prochoice Chrimatistiriaki Ltd did not hold any derivatives and did not enter into any repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions hence the Company does not face this K-factor.
- **K-DTF (Daily Trading Flow)** - K-DTF captures the Operational Risk related to the value of trading activity that an investment firm conducts. It reflects the risk of transactions that an investment firm enters through dealing on own account or executing orders on behalf of clients in its own name. This K-factor is applicable though the Company's exposure to DTF is minimal.
- **K-CON (Concentration Risk)** - K-CON seeks to apply additional own funds requirements to manage concentration to a single counterparty / issuer of financial instruments or a group of connected counterparties / issuers to which an investment firm incurs Trading Book exposures, and which exceed prescribed limits. Concentration risk is partly being addressed through diversification of counterparties, namely banking institutions. This K-factor does not apply to the Company.

#### **K-DTF**

The company has two different internet supplies to avoid any discontinuation of the operations. Contingency and recovery plans for core services, key systems and priority business processes have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant. Awareness campaigns remain a critical tool in driving a business continuity culture across the company. The company will continue to enhance and develop operational resilience to meet evolving business priorities.

The Company manages operational risk through a control-based environment in which processes are documented and systems are reviewed and upgraded. This is enhanced by continuous monitoring.

## 6. Minimum Capital Requirements

The IFR/IFD framework approach for calculating the Minimum Capital Requirements, dictates for Class 2 investment firms, to 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, according to Article 11 of IFR.

### Fixed Overhead Requirement (“FOR”)

The Company monitors its FOR at least on a quarterly basis. The Company complies with Article 13 of the IFR stating that the Company shall hold own funds of at least one quarter of the fixed overhead expenses of the preceding year. The Fixed Overheads Requirement as at 31<sup>st</sup> December 2022 amounted to €29K.

### Permanent Minimum Capital Requirement (“PMCR”)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €150K, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

The Company’s K-factor requirement is calculated in accordance with Articles 16 through to 33 of the IFR. Table 10 below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31<sup>st</sup> of December 2022.

**Table 4-Minimum Capital Requirements**

Minimum Capital Requirements		
K-Factor Requirement	K-Factors	31 December 2022 (€'000)
Risk-to-Client (RtC)	K-AUM	-
	K-CMH	2
	K-ASA	5
	K-COH	0
Risk-to-Market (RtM)	K-NPR	-
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	-
	K-DTF	0
	K-CON	-
<b>Total K-Factor Requirement</b>		<b>8</b>
<b>Fixed Overhead Requirement – FOR</b>		<b>29</b>
<b>Permanent Minimum Capital Requirement – PMCR</b>		<b>150</b>

Table 10 above shows that the PMCR of €150K is the highest amount of minimum capital requirement that the Company must hold at all times.

Table 5 below indicates that the Company has excess capital of approx. €4K above the Permanent Minimum Capital Requirement. This is reflected by a Capital Adequacy Ratio of 102,42%, which is above the minimum threshold of 100% set out in Article 9(1)(c) of IFR. The Board of Directors of the Company has

noted that the CET1 Ratio is at a marginal level. Hence, it expressed the intention to raise the Firm's Own funds through shareholder contributions or capital increases, if the income of the company stays at the current level.

**Table 5-Capital Excess/Ratio**

31 December 2022	(€'000)	Reference
<b>Capital</b>		
Common Equity Tier 1	154	
Additional Tier 1	-	
Tier 2	-	
<b>Total Own Funds</b>	154	<i>a</i>
<b>Own Funds Requirement</b>		
K-factor Requirement	8	<i>b</i>
Fixed Overhead Requirement	86	<i>c</i>
Permanent Minimum Capital Requirement	150	<i>d</i>
<b>Minimum Own Funds Requirement</b>	150	<i>e = (higher of b, c, d)</i>
<b>Capital Excess/Ratio</b>		
Capital Excess	4	<i>a-e</i>
<b>Capital Ratio</b>	102,42%	<i>a/e</i>

## 7. 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 has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

### *Management of liquidity risk*

In accordance with the CySEC clients' money rules, the Company holds all the funds of its clients in segregated accounts that are clearly designated as clients' money bank accounts. Therefore, the Company considers liquidity risk in relation to all clients' trading activity to be significantly low.

Moreover, in addition to the Own Funds requirements, a Liquidity Requirement was introduced by the IFR according to which the Company is required to maintain liquidity levels equal to at least one third of its Fixed Overhead Requirement. As of the 31st of December 2022, the Company satisfied the Liquidity Requirement. The Company monitors the level of its liquid assets on at least a quarterly basis.

## 8. Regulatory and Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state.

The Company is regulated by the Cyprus Securities and Exchange Commission. The regulator under its capacity is issuing several circulars which are expected to affect the Company's current operations. One of these circulars is referring to bonuses that CIFs are providing to their clients creating an incentive to trade.

Prochoice's revenue depends upon the maintenance of licenses from regulators. Non-compliance with the regulatory framework of jurisdictions in which the Company's trading platform is accessible from, could adversely affect the its 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 Company'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 Company's compliance officer keeps abreast of regulatory developments. External legal advice is obtained on new regulations affecting the CFDs sector in the jurisdictions in which the Company operates and relevant actions are then initiated to ensure comprehensive and consistent compliance at all times.

### *Regulatory capital management*

The Company's objectives in managing capital are (i) to comply with the capital requirements set by the regulator (Cyprus Securities and Exchange Commission - CySEC), (ii) to safeguard the Company's ability to continue as a going concern and (iii) to maintain a strong capital base to support the development of the business.

## 9. Remuneration Disclosures

In accordance with the Regulation, the Company should disclose information about its Remuneration Policy and practices followed for those categories of staff whose professional activities have a material impact on its risk profile.

Due to its size and the principle of proportionality, which takes into account the scale, nature and complexity of activities of the Company, the Company considers all its employees as persons with material risk impact on the Company.

The Company's remuneration policy is set by the Board of Directors. The Board of Directors is responsible to determine the remuneration of the Directors and the Secretary of the Board. The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, individual performance and the remuneration offered by other companies that are similar in size and range of activities.

The remuneration structure offered by the Company to management and staff comprises mainly of a fixed salary cash component. The Company's remuneration policy includes variable pay component (cash based) in the form of bonuses.

The Company's annual remuneration to management and staff as of 31<sup>st</sup> December 2022 is shown in the Table below.

**Table 6- Quantitative information on remuneration**

Annual Remuneration	31 <sup>st</sup> December 2022			
	Number of beneficiaries	Fixed	Variable	Total
Senior Management and Executive Directors	3	87	10	97
Other staff	3	63	0	63
<b>Total</b>	<b>6</b>	<b>150</b>	<b>10</b>	<b>160</b>

*\*The category "Senior Management and Executive Directors" includes Executive Directors and heads of departments. The variable remuneration for this category, includes an amount paid to a former employee.*

*\*The category "Other Staff" includes Department of Finance & Accounting, Transaction accounts and customer service, Administrative and Operational Services.*

During 2022, the Company did not pay or award any non-cash variable remuneration, deferred remuneration, severance payment, or any guaranteed variable remuneration. There were also no deferred remuneration or severance payments that were awarded in previous periods, and which have been paid out during 2022.

It should also be noted that as at 31/12/2022 the Company benefits from the derogation of Article 32(4) of IFD, given that the value of its on and off-balance sheet assets is on average equal to or less than 100 million Euros over the four-year period immediately preceding the given financial year. Hence the following specific requirements of IFD Article 32 regarding variable remuneration do not apply:

- point (j) of paragraph 1 regarding the components of any variable remuneration in terms of instruments,
- point (l) of paragraph 1 regarding deferred variable remuneration over a three-to-five-year period depending on the business cycle of the investment firm, the nature of its business, its risks and the activities of the individual in question,
- third subparagraph of paragraph 3, that refers to discretionary pension benefits subject to a five-year retention period that should be held (for employees leaving the investment firm before retirement age) or paid (for employees reaching retirement age and retiring) in the form of specific instruments as per point j above.

## Appendices

### Appendix I – Main Features of Own Funds

Template EU IF CCA		Common Equity Tier 1 instruments
1	Issuer	Prochoice Chrimatistiriaki Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type	Ordinary Shares
6	Amount recognised in regulatory capital (in EUR)	€852.000
7	Nominal amount of instrument	852.000
8	Issue price (in EUR)	€1,00
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	07/05/2008
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	N/A
	<i>Coupons / dividends</i>	N/A
17	Fixed or floating dividend/ coupon	N/A
18	Coupon date and any related index	N/A
19	Existence of a dividend stopper	N/A
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	Non-cumulative 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 info	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write down, permanent or temporary	N/A

35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A