ROEMER CAPITAL (EUROPE) LIMITED

PILLAR III DISCLOSURE REPORT

YEAR ENDED 31 DECEMBER 2022

MAY 2023

Contents

1. INTRODUCTION

1.1 CIF Information

Roemer Capital (Europe) Limited (ex Sinara Financial Corporation (Europe) Ltd) was incorporated in the Republic of Cyprus on 08 August 2016 as a private limited liability company with registration number 333287 and it is a Cyprus Investment Firm. Roemer Capital (Europe) Limited (the 'Company') is authorised by the Cyprus Security Exchange Commission (the 'CySEC') under License 305/16 to provide the following investment and ancillary services:

<u>Investment Services</u>

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Portfolio management
- Provision of investment advice
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
- Placing of financial instruments without a firm commitment basis

<u>Ancillary Services</u>

- 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
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
- Foreign exchange services where these are connected to the provision of investment services: :
- Investment research and financial analysis or other forms
- Services related to underwriting
- Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services

The Company is categorised as a 'Class 2 Firm' and supervised for compliance with prudential requirements under Directive (EU) 2019/2034 in relation to the following:

a) own funds requirements relating to quantifiable, uniform and standardised elements of risk-to-firm, risk-to-client and risk-to-market;

b) requirements limiting concentration risk;

c) liquidity requirements relating to quantifiable, uniform and standardised elements of liquidity risk;

d) reporting requirements related to points (a), (b) and (c);

e) public disclosure requirements.

1.2 Scope of Application

The Pillar III disclosure Report (the 'Report') has been prepared in accordance with requirements as laid out in Part Six of the Regulation (EU) 2019-2033 (the 'IFR') and discloses the information on the same date as the Company publishes its annual financial statements for the year ended 31.12.2022.

As per the provisions of Company's Law, CAP 113 ("Law"), the Company's direct parent entity, Roemerberg Capital Limited, is exempt from preparing consolidated financial statements because the company and its subsidiary undertakings do not constitute a large sized group as defined by the Law. Considering that the risk exposures of the Group are raised primarily by Roemer Capital (Europe) Limited with limited or no additional risk exposures arising from the activities of other group entities, the Company has prepared this report on a solo rather than consolidated basis.

In the meantime, the Company considers applying to CySEC for the derogation from Article 7 of the IFR, that would enable the Company to be excluded from its current consolidated prudential supervision status.

The Company's market disclosures are published on the Company's official website https://roemercapital.com/disclosures/

2. Risk Management Objectives and Policies

2.1 Risk Strategies and Processes

The risk management, as an integral part of the Company's corporate governance, aims:

- to help the Company achieve its targets and ensure its financial stability;
- to minimize possible financial losses for the Company or its clients;
- to ensure capital adequacy to cover material risks;
- to comply with regulatory requirements;
- to keep the Directors fully informed about the risks relating to the Company's activities.

The Risk Management Department (the 'RMD') is responsible for the establishing, implementing, maintaining the risk management function. RMD is a separate independent unit. The Head of RMD reports to the Risk & Compliance Director (acting on behalf of the Board) and the Board directly.

According to the Company's Risk Management Policy, the risk management function encompasses the following processes:

a) risk identification and assessment;

b) definition of Risk Appetite and ICARA;

c) establishing risk limits and measures;

d) monitoring and control of risks;

e) risk reporting.

The risk identification recognizes fully the economic substance of all risk exposures including the risks the Company poses to *itself* and its *customers*. It takes both *regulatory* and *economic* perspectives into account. All risks identified as material are addressed in all parts of the annual Risk Management Report and Internal Capital Adequacy and Risk Assessment (the 'ICARA'). The Company is transitioning from ICAAP to ICARA during the reporting period.

The Company must have the available capital, which is at all times more than or equal to the capital needed to cover all the material risks on an ongoing basis.

To be consistent with the Company's business strategy, and risk appetite, a comprehensive risk management framework has been developed as an integral part of material business decisions, new product or risk limit approvals, and risk monitoring which is described in the ICARA.

A risk management procedure is established for every material risk including risk category set out in Parts Three, Four and Five of the IFR. The RMD on a regular basis provides its assessment of the risk and capital adequacy of the Company, supported by stress-test results and any other relevant information.

Risk limits are set to ensure that exposures are consistent with the Company's Risk Appetite and capital adequacy. The Company has set up an IT system to monitor and control their exposures to market and credit risks.

According to the business model, the Company has no significant appetite to unhedged foreign-exchange risk. The Company also has limited appetite for the interest rate risk. The Company's limited interest rate exposure comes from the trading portfolio of fixed income instruments. This risk is managed by setting the DV01 limit for the trading position for different term buckets. The risk limit structure and risk reporting are tailored to monitor the risk limits daily and to escalate any limits breaches to the Executive Directors and the Board of Directors if needed.

Exposures to other material risks (equity, counterparty and credit spread risks) are restricted by limits set up in line with the Company's risk appetite. To manage these risks on the operational level each trading desk has a Desk Mandate. The Desk Mandate is a document that contains a description of the desk trading strategy, assessment of the desk risk profile, risk management instruments applicable for the desk, risk limits and the list of persons responsible for each aspect of risk management of the desk. The Company can also hedge these risks on a case-by-case basis.

The risk management system put in place is adequate with regard to the Company's size, internal organization and the nature, scope and complexity of its activities.

2.2 **Risk Profile**

During the year 2022, the Company underwent change of ownership and pause in its business activity. This time was spent on developing a new business strategy for the firm that will be implemented during the year 2023. As of 31 December 2022, the Company has no material exposure to risks set out by the IFR. The own funds and client's funds are placed with credit institutions , part of the funds is temporary considered restricted.

Pause in the business activity of the Company in the year 2022 driven the very conservative risk profile of the Company, where the most significant risk was business risk due to ongoing development of the new business strategy. The 2022 strategy was reconsidered due to the war in Ukraine as access to main market, clients and products previously being part of the company's 3 years strategy was restricted and, in some cases, - impossible. The new business plan considers shift to the new emerging markets and reorientation on the clients outside the Russian market. The new plan has a number of quantifiable milestones that allow for the precise assessment of the business strategy interim success and allow for the early warning of the business risk realization.The Company disclosed its overall risk profile and the main risks associated with its business strategy in the annual Risk Management Report submitted to the regulator in Q1 of 2023.

3. GOVERNANCE

3.1 Board of Directors

The Company's Board of Directors:

- has the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk prevention strategy and internal governance,
- ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards,
- oversees the process of disclosure and announcements,
- is responsible for providing effective supervision of senior management.

The table below provides the number of directorships held by members of the Board of Directors at the same time. It shall be noted that, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profitmaking or charitable organizations, are not taken into account for the purposes of the below.

Table 1: Number of Directorships of the members of the Board of Directors

Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Dr. Roman Lokhov	Non-Executive Director, Chairman of the Board	3	1
Mr. Christodoulos Christodoulou	Non-Executive Director	2	3
Ms. Irina Khrabrova	Executive Director, Managing Director	2	0
Mr. Charalambos Charalambous	Executive Director, Risk & Compliance Director	1	0

3.2 Recruitment Policy

Members of the Board of Directors are the persons who effectively direct the business of the Company. They need to be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The Company Equal Opportunities Policy strictly prohibit any form of discrimination when selecting members of the Board of Directors and promotes diversity. All requirements of the Policy were achieved every time when the Company recruited any member of the Board.

According to the Company's recruitment policy, the overall composition of the Board of Directors needs to reflect an adequately broad range of experiences. The Board of Directors shall collectively possess adequate knowledge, skills and experience to be able to understand the Company's activities and principal risks. The majority of the Directors shall be Non-Executive Directors. The majority of the Directors shall be citizens of the Republic. At least two members of the management of the Company need to be classed as directors.

3.3 **Risk Committee**

The company didn't have separate risk committee function in the year 2022 due to pause in business activity and the ongoing change in the Company business strategy. The function of the Risk Committee was performed by the Board of Directors, which delegated limited number of control functions to the Executive Directors. The revision of the Risk Committee was delayed to the 2023 when the new business strategy and scope of business activity are defined, and appropriate risk framework can be formulated.

3.4 **Investment Policy**

In accordance with Article 52 of the IFR, investment firms should disclose the following information in relation to their investment policy, where value of their on and off-balance sheet assets is on average more than 100 million euro over the four-year period immediately preceding the given financial year:

a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of Article 52, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
c) an explanation of the use of proxy advisor firms;
d) the voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 of Article 52.

As at 31st of December 2022 the Company does not meet the requirement therefore, no further disclosure is made.

3.5 **Environmental, social and governance risks**

In accordance with Article 53 of the IFR, from 26 December 2022, IFs should disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034, where value of their own on and off-balance sheet assets is on average more than 100 million euro over the four-year period immediately preceding the given financial year.

As at 31st of December 2022 the Firm does not meet the requirement therefore, no further disclosure is made.

4. OWN FUNDS

The Company is required to hold sufficient own funds in accordance with the provisions of the IFR.

The Company's total capital resources as of 31 December 2022 are shown in the table below. The Company's Capital Resources consist of Tier 1 Capital only.

Table 2: Own Funds Composition

Ref	Item	€'000	Cross reference to Table 3
1	**OWN FUNDS**	**5,733**	
2	**TIER 1 CAPITAL**	**5,733**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**5,733**	
4	Fully paid up capital instruments	13,130	Ref 12
5	Share premium	538	Ref 13
6	Retained earnings	-2,818	Ref 14
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-5,072	
17	(-) Losses for the current financial year	-4,434	Ref 14
19	(-) Other intangible assets	-638	Ref 2
27	CET1: Other capital elements, deductions and adjustments	-46	Ref 3
28	**ADDITIONAL TIER 1 CAPITAL**	**0**	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
40	**TIER 2 CAPITAL**	**0**	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	0	

Table 3: Reconciliation of Regulatory Own Funds to Balance Sheet

Ref	Item	Balance sheet as in audited financial statements, 31.12.2022	Cross reference to Table 2
Assets			
1	Property, plant and equipment	77	
2	Intangible assets	638	Ref 19
3	Contributions to the ICF	46	Ref 27
4	Prepayments	18	
5	Receivables	151	
6	Restricted cash	43,752	
7	Cash and cash equivalents	19	
8	**Total Assets**	**44,701**	
Liabilities			
9	Borrowings	310	
10	Payables	37,964	
11	**Total Liabilities**	**38,274**	
Shareholders' Equity			
12	Share Capital	13,130	Ref 4
13	Share Premium	538	Ref 5
14	Accumulated losses	-7,252	Refs 6, 17
15	**Total Shareholders' equity**	**6,427**	

Table 4: Own Funds Details

1	Issuer	Roemer Capital (Europe) Limited
2	Unique identifier	21380027LW8AF6I1WA03
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus
5	Instrument type	Ordinary shares
6	Amount recognized in regulatory capital, EUR	13,130,000
7	Nominal amount of instrument, EUR	1,000
8	Issue price, EUR	13,130
9	Redemption price	N/A
10	Accounting classification	Shareholders’ equity
11	Original date of issuance	12.06.2014
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No

Table 4 (Continued): Own Funds Details

15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

5. OWN FUNDS REQUIREMENTS

5.1 Regulatory Capital

The regulatory capital adequacy is assessed according to the own funds requirements set out in the IFR. According to Article 9 of the IFR, the Company shall at all times satisfy the following own funds requirements:

CET 1 Ratio	56%
Tier 1 Ratio	75%
Total Own Funds Ratio	100%

The Company's own fund requirements as of 31 December 2022 are shown in the table below.

Table 5: Own Funds Requirements

CET 1 Ratio	510.35%
Tier 1 Ratio	510.35%
Own Funds Ratio	510.35%

	€'000
Permanent minimum capital requirement	750
Fixed overhead requirement	1,123
Total K-Factor Requirement	119
Total own funds requirement	1,123

	€'000
TOTAL K-FACTOR REQUIREMENT	119
Risk to client	0
Risk to market	76
Risk to firm	43

5.2 Internal Capital Management

The Company has in place sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of economic (internal) capital that they consider adequate to cover the nature and level of risks which they may pose to others and to which the Company themselves is or might be exposed.

The RMD on a regular basis provides its assessment of the capital adequacy of the Company, supported by stress-test results and any other relevant information, by producing the capital adequacy statement. The assessment shall be conducted once a year or more often, e.g. in case of any significant changes in the external environment and/or within the Company that may affect the risk level of the Company.

The Company uses a combination of quantitative and qualitative metrics for its internal capital management. Quantitative metrics are based on statistical methods and mostly are variations of Value-at-Risk methodology. Quantitative metrics are preferable to the qualitative and are used for the calculation of the internal capital where possible, especially for its trading activity. Qualitative metrics are used where statistical or other numerical approaches cannot be used directly (such as with political or legal risks), however even in these cases resulting internal capital requirements figures are expressed in numerical terms.

The company calculates both current internal capital requirements and maximal potential capital requirements based on its business plan for a period up to a year.

6. CONCENTRATION RISK

The Company as a CIF (Cyprus Investment Firm) is subject to the Large Exposures Regime (Concentration Risk), as part of the IFR. As a result, the Company takes active steps to limit its exposure to groups of connected counterparties. This is subject to regular forecasting and daily monitoring and reporting. Where excesses occur, capital is set aside and the CySEC are notified. The Company follows the regulatory guidelines and sets its concentration appetite accordingly – up to 100% of eligible capital for the institutions and 25% of eligible capital for non-institutions. Where the exposure exceeds these levels, the Company calculates additional capital requirements (K-CON).

During the year 2022, the Company has had no excess of the Large Exposure Limit.

7. LIQUIDITY

According to the IFR, the Company shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead. The Company's liquidity requirements as of 31 December 2022 are shown in the table below.

Table 6: Liquidity Requirements

Item	€'000
Liquidity Requirement	374
Total liquid assets	19

The Company did not meet its liquidity requirements as per IFR as of 31/12/2022, as a significant amount of its cash balances did not fully satisfy the provisions of Commission Delegated Regulation (EU) 2015/61 regarding for it to be considered as eligible for inclusion under the unencumbered short term deposits balance but the Company was able to meet its financial obligations as they fell due during 2022, through the utilization of these cash balances.

As a result, the Company has taken the following measures to enhance its liquidity position:

a) Increased significantly its unencumbered cash balances, so that as of 26/05/2023 the Company fully met is liquidity requirements as per IFR.

b) Has obtained in writing a comfort letter by its shareholders confirming their ability and intentions provide the necessary financial support to the Company (if needed) to meet its liquidity needs.

Furthermore, the Company has internal requirements in respect to market and funding liquidity risks. The requirements are monitored and controlled by means of sound administrative procedures and robust internal control mechanisms which include, among other instruments, liquidity gap analysis and Risk Management Department oversight over the Company treasury function.

8. Remuneration Policy and Practices

8.1 **Remuneration System**

The Remuneration Policy aims to ensure that the staff's compensation is sufficient to retain and attract individuals with appropriate skills and experience to help the Company achieve its targets. The Policy also aims to ensure that conflicts of interest are avoided, and that the remuneration awarded is such that it does not encourage risk-taking that exceeds the Company's approved risk appetite.

Accordingly, the operating standards and mechanisms which have been adopted ensure that the level of rewards provided to employees are directly linked to the desired behaviors and results set by the Board of Directors as well as the Company's documented policies and procedures.

The Company's Remuneration Policy takes into account national criteria on wage setting and makes a clear distinction between criteria for setting basic fixed remuneration and variable remuneration. Basic fixed remuneration primarily reflects relevant professional experience and organizational responsibility as set out in an employee's job description and as part of the terms of employment of each employee. Variable remuneration reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job as part of the terms of employment of each employee. It includes all forms of payments or benefits provided directly or indirectly by the Firm to relevant persons.

8.2 **Remuneration Practices**

Even though the Policy applies to all Company employees, the Company wishes to take a more specific risk approach by identifying and assigning higher emphasis and responsibility to persons who are client-facing staff, Senior Management, risk takers, individuals whose total remuneration takes them into the same remuneration level as the aforementioned categories, individuals who perform control duties as well as any other individuals whose professional activities have a significant impact on the Company's risk profile.

Performance appraisals are conducted on an annual basis. In order to perform performance appraisals, key objectives / goals are set for each employee at the beginning of each year. Performance is then assessed against these objectives / goals.

Both fixed and variable components are balanced with the fixed component representing a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy.

Variable remuneration can be reduced to zero and shall not exceed 100% of the fixed component of the remuneration for each individual.

Variable remuneration paid in instruments will be in the form of promissory notes or other equivalent non-cash instrument issued by the Company.

When paying out any variable remuneration to the risk takers, the Company takes into consideration the following, in a manner and to the extent that is appropriate to the Company's size, internal organization and nature, scope and complexity of activities:

- At least 40% of the variable remuneration is deferred over a period of three to five years;
- In case that variable remuneration is of a particular high amount, then at least 60% of the amount is deferred;
- At least 50% of any variable remuneration is paid out in instruments. This is applied to both the deferred and the non-deferred part of the variable remuneration component;
- Up to 100% of the total variable remuneration is subject to malus or clawback arrangements, which are set by the Company.

Being a significant institution, the Company has set the deferral period of the members of the Board and the Senior Management to be at least five years. Other identified staff who are not members of the Board or Senior Management, are subject to a deferral period of at least three years.

Malus or clawback arrangements are explicit ex post risk adjustment mechanisms where the Company itself adjusts remuneration of an identified staff member based on such mechanisms.

The tables below present the remuneration analysis by the Company's during the year 2022.

Table 7: Remuneration Analysis by Senior Management and Members of Staff

	Members of staff	Senior Management (Executive Directors)	Non-Executive Directors
Fixed Remuneration	519	283	32
Variable Remuneration	79	-	-
Total	**598**	**283**	**32**
Number of Beneficiaries	*11*	*2*	*2*

Table 8: Remuneration Analysis by Business Area

Business Aria	Remuneration, €'000
Business Departments	252
Control Functions	499
Operations	105
Finance and Accounting	-
Customer Support Department	-
IT Services	57
Administration	-
Total	**913**