BrightPool

Disclosures in accordance to Part Six of Regulation (EU) No 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

PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

September 2024

Contents

1. Overview

1.1. Introduction

Brightpool Ltd (hereinafter "BrightPool" or "the Company"), which is authorised and regulated by the Cyprus Securities and Exchange Commission (hereinafter the "CySEC") as a Cyprus Investment Firm ("CIF") under license number 378/19. The Company with LEI code 2138007MC4C34J892J46, obtained its license on 6th of August 2019 and commenced operations on 3rd of October 2019.

The Company is a liquidity provider/market maker for transferable securities ("Turbo warrants"). Specifically, the Company offers quotes to buy/sell turbo warrants on exchange and upon notification of execution from the exchange, to price and deliver/receive turbo warrants through a custodian and settlement agent.

The ultimate parent undertaking and controlling party is IG Group Holdings PLC ("IG Group"), a company listed on the London Stock Exchange and incorporated in the United Kingdom. The Company is controlled by Market Data Ltd, incorporated in United Kingdom, which owns 100% of the Company's shares.

The ultimate parent entity which prepares the consolidated financial statements of the largest group of companies of which the Company forms part as a subsidiary, is IG Group Holding PLC, incorporated in United Kingdom and its consolidated financial statements are available on its website. Market Data Ltd, incorporated in United Kingdom is the parent entity which prepares the consolidated financial statement of the smallest group of companies of which the Company forms part as a subsidiary.

The Company is authorized to provide the following **Investment Services**, in accordance with Part I of the First Appendix of the Law 87(I)/2017 as amended:

1. Reception and transmission of orders in relation to one or more financial instruments.
2. Execution of orders on behalf of clients.
3. Dealing on own account.

The Company is authorized to provide the following **Ancillary Services**, in accordance with Part II of the First Appendix of the Law 87(I)/2017, as amended:

1. Safekeeping and administration of financial instruments for the accounts of clients, including custodianship and related services such as cash/collateral management.
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transactions.
3. Foreign exchange services where these are connected to the provision of investment services.

The Company is authorized to provide the abovementioned investment and ancillary services, as applicable for each service, for the following **Financial Instruments**, in accordance with Part III of the First Appendix of the Law 87(I)/2017, as amended:

1. Transferable Securities.

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Company License Information based on the First Appendix of the Law 87(I)/2017, as amended

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

1.2. Regulatory Context

Since 26th June 2021, the Company abides by the prudential rules set by the IFR & IFD framework, which consists of EU Regulation 2019/2033 (the "Investment Firm Regulation" or "IFR") and EU Directive 2019/2034 (the "Investment Firm Directive" or "IFD"), where the latter has been harmonized into Cyprus legislation through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021).

It is noted that the Company is categorized as a Class 2 Investment Firm and it is required to hold €750 thousands of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD. Furthermore, during the financial year the Company was not considered a "Significant CIF" in accordance with the criteria set by CySEC Circular C487.

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

• Pillar I - Minimum Capital Requirements - ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.

• Pillar II – Internal Capital Adequacy and Risk Assessment ("ICARA") process 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.

1.3. Scope of disclosures

The Company's Pillar 3 disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of May 2024. The disclosures included in this Report are made on a solo basis and are published annually on the Company's corporate website (www.brightpool-markets.com). The Company prepares its Financial Statements in accordance with the International Financial Reporting Standards ("IFRS").

In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC. The Company has included its risk management disclosures on its website. Verification of these disclosures has been made by the external auditors and submitted to CySEC by the Company.

Unless stated otherwise, all amounts are in thousands of Euros ("EUR" or "€").

2. Corporate Governance – Board & Committees

2.1. Board of Directors

The Board of Directors ("BoD") defines, oversees and is responsible for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties within the entity and the prevention of conflict of interest, and in a manner, that promotes the integrity of the market and the interest of the client pursuant to the provisions of the regulatory framework.

In particular, the BoD shall:

- Ensure that the Company complies with its obligations under the legislation.
- Periodically assess and review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law and Directives and to take appropriate measures to address any deficiencies.
- Set the strategy of the Company and ensure the continuing operations of the Company.
- Meet on a frequent basis to ensure that operational and strategic issues are discussed and issue guidance to the Senior Management and heads of the departments.
- Ensure that written reports concerning internal audit compliance, anti-money laundering compliance and risk management are received on a frequent basis, and at least annually, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.
- Address any issues raised by the regulators and define the action to be taken in case corrective measures are required.

The Board of Directors of the Company, as at the reference date, consisted of two Executives and two Non-Executive members, of which were also Independent.

2.2. Number of Directorships held by Members of the Board

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, including the one in the Company. For the purposes of the below, executive, or non-executive directorships held within the same group of companies are considered as a single directorship.

In addition, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not considered.

NAME OF DIRECTOR	POSITION WITHIN BRIGHTPOOL	NUMBER OF DIRECTORSHIPS	
		EXECUTIVE	NON-EXECUTIVE
Nikos Dimitriadis	Executive	1	-
Pavlos Elpidorou	Executive	1	-
Evripides Ornitharis	Non-Executive	-	1
Karolos Michael	Non-Executive	-	1

2.3. Governance Committees

The Company has formed governance committees to achieve a level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks. With growth in scale and complexity, the Company will form additional governance committees.

Pricing committee takes responsibility for the investment and pricing of products. Members include two (2) Executive Directors, and members that come from different departments of the Company such as Risk, Dealing, Compliance etc.

As at the reference date, and after considering its size, internal organization, nature, scale and complexity of its activities, the Company has not established any independent Risk Committee. More information on risk governance can be found in part 3.1.

Additional levels of assurance for the Company are provided by control functions, which are independent of the business operations – namely Risk, Compliance, AML, Data Protection, and Internal Audit. The control functions provide periodic reporting to the BoD and Executive Committees as appropriate.

2.4. Diversity Policy

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

It is noted that diversity and inclusion is sponsored at the highest levels by the Company and the shareholder. The Executive Committee has established this policy and, together with the Board, guides the development of diversity and inclusion strategy and reviews progress against measurable objectives.

Some key actions that the Company will take to measure its activities in this area include measure progress through a combination of employee feedback, leader and manager effectiveness measures and its people profile. Also, benchmarks of financial services and technology industry norms. These benchmarks will ensure that the Company understand its performance against the average of the industries operate in, and the leaders of those industries.

3. Risk Management Objectives and Policies

3.1. Risk Management Framework

BrightPool has an established Risk Management Framework to identify, measure, manage, monitor and report the risks faced by the business, and to manage the risk that the Company's conduct may pose to the achievement of the sound, stable, resilient, and transparent operation of the financial markets.

This framework provides the Board with assurance that BrightPool's risks, including the risks relating to the achievement of Company's strategic objectives, are understood, and managed in accordance with the appetite and tolerance levels set. It provides the basis for enabling the Company's ongoing assessment, control, monitoring and reporting of risk management. The framework is established around the following elements: Risk Culture, Taxonomy, Appetite, Governance and Management.

The Board has overall responsibility for the management of risk within the Company. This includes:

- Determining the Company's risk appetite, which sets out the nature and extent of the principal risks it is willing to take in achieving its objectives and defining the standards and expectations that drive the Company's risk culture.
- It also involves ensuring that the Company maintains an appropriate and effective Risk Management Framework, and monitoring performance and risk indicators to ensure that the Company remains within its risk appetite.

Risk Culture

The Company recognize that embedding a sound risk culture is fundamental to the effective operation of the Company's risk management framework and sets the tone for broader conduct in all business activities and for promoting a common set of BrightPool's values and expected behaviors. BrightPool has a culture defined by the shared values, attitudes, competencies, and behaviors throughout the business. A poor culture will inevitably lead to an increase in certain areas of risk.

The Company seeks to achieve the implementation of its desired risk management culture through education, policies, and consistent practices.

Three Lines of Defense

BrightPool operates a 'three lines of defense' Risk Governance Model:

1st Line of Defense

The 1st line of defense has primary responsibility for risk management, including day-to-day responsibility for ensuring that the business operates within risk appetite. 1st line functions are responsible for the identification, assessment and management of risks facing the business, in adherence with the policies and procedures approved throughout the Company.

2nd Line of Defense

The 2nd line of defense, with the objective of independent risk oversight, is provided by the Risk and Compliance teams. These teams are independent from operational management in the 1st line and are responsible for providing advisory services to 1st line functions, whilst overseeing the performance of the 1st line activities in their management of business requirements and risk. The 2nd line maintains the Company's risk management and control policies, providing independent analysis and monitoring of the company's risks against appetite and keeping abreast of industry and regulatory development that might require enhancements to the Company's Risk Management Framework. Whilst other areas of the business may, from time to time, perform 2nd line type activities, the independence of the Risk and Compliance functions, along with the core focus of the provision of oversight, set the Risk and Compliance teams apart in being considered "2nd line".

3rd Line of Defense

The 3rd line of defense, independent assurance, is provided by the IG Group Internal Audit. The primary role of Internal Audit is to help the Board and executive management to protect the assets, reputation, and sustainability of the organization by providing independent, objective assurance reviews designed to add value and improve Company's operations. The scope of the annual audit plan includes reviews of the Company's principal risks.

3.2. Risk Appetite Statement

The purpose of BrightPool's Risk Appetite Statement (RAS) is to detail the acceptable levels of risk to which the Company is willing to accept or be exposed to, to allow for profitable business, whilst operating within the Company's risk appetite.

This document is based around a set of statements for principal risks within the risk taxonomy faced by the Company. Qualitative statements of risk appetite are supported by Key Risk Indicators "KRIs" that are used to identify instances which require investigation and escalation. KRIs are embedded in BrightPool's risk monitoring and reporting. A breach of a defined KRI triggers escalation to management which should result in consideration being given as to what appropriate responsive actions, if any, are taken. Red levels, along with actions taken, if any, are reported to the BrightPool Executive Committee and Board of Directors on the next meeting.

This document is subject to annual update and approval by the Board.

3.3. Internal Capital and Risk Assessment Process

The ICARA/ICAAP is embedded in the core of the Company's operations and serves as a valuable risk management tool which ensures that the Company's risk management framework received the necessary attention from all the related functions/personnel of the Company, while contributing towards a robust organization. As part of the ICARA/ICAAP, firms were expected to conduct an assessment against a specific list of risk categories. However, under the ICARA/ICAAP process, the focus has shifted more onto the Company's business model and its activities. From there it should identify, assess, and estimate the potential harm to markets, and to the firm itself, as opposed to simply risks to the firm.

Fundamental to the ICARA/ICAAP process is identifying risks and potential harms and considering what could go wrong to the point of failure of the firm, investment firms need to consider 'what-if' scenarios for the activities they undertake, the harm that can be caused and the events that led to that. The assessment will need to factor in the likelihood of the events materializing, and that different events might occur at the same time. Investment firms will also need to consider and account for other risks that can reduce the level of their own funds. Finally, the ICARA/ICAAP considers business model planning and forecasting, recovery and wind-down planning as well as assessing the adequacy of financial resources throughout the economic cycle (i.e., including under stressed conditions).

The key stages of a firm's ICARA/ICAAP process should be as follows:

- Identify and monitor harms: Operate systems and controls to identify and monitor all material potential harm.
- Undertake harm mitigation: Consider and put in place appropriate financial and non-financial mitigants to minimise the likelihood of crystallisation and/or impact of the material harm.
- Undertake business model assessment, planning and forecasting: Forecasting capital and liquidity needs, both on an ongoing basis and were they to have to wind-down. This must include expected and stressed scenarios.
- Undertake recovery planning: Determine appropriate and credible recovery actions to restore own funds or liquid resources where there is a risk of breaching threshold requirements tied to specific intervention points.
- Undertake wind-down planning: Set out entity-level credible wind-down plans, including timelines for when and how to execute these plans.
- Assess the adequacy of own funds and liquidity requirements: Where, in the absence of adequately mitigating risks through systems and controls, the firm assesses that additional own funds and liquid assets are required to cover the risk.

The Company prepared its last ICARA/ICAAP report with a reference date the 31st of May 2023 ensuring the full alignment with the IFR & IFD framework and the Cyprus Law 165(I)/2021 on the Prudential Supervision of CIFs.

4. Principal Risks

K-Factors Capital Requirement

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

Capital Requirement from applying K-Factors formula is the sum of Risk to Client (‘RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’). The Company calculates its overall “K-factor” capital requirement on a continues basis in accordance with Articles 16 through to 33 of the IFR (and as described in further detail below).

4.1. Risk-to-Client

Risk to Client (“RtC”) reflects the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems. RtC exists in the activities/services of the firm which are related to the client and are measured as a percentage of Clients Money Held (CMH), Assets Under Management (AUM), if any, Assets Safeguarded & Administered (ASA) and Clients’ Orders Handled (COH).

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

- **K-AUM: Assets Under Management**

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

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

As part of its business model and license, the Company did not provide portfolio management and investment advice services to its clients and to this end, it was not subject to the risk captured by this K-factor.

- **K-CMH: Clients Money Held**

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

CMH is the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm. It excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to these client funds via a third-party mandate (on segregated or non-segregated basis).

Based on the reference year, the Company did not provide such a service and to this end it was not 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.

ASA means the value of assets that an investment firm safeguards and administers for clients – 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.

The Company during the year under review was not subject to the risk relating to this K-factor since it did not provide such a service.

- **K-COH: Client Orders Handled**

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

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

As part of its business model and license, the Company did not provide such a service and to this end, it was not subject to the risk captured by this K-factor.

4.2. Risk to Market

Risk to Market (''RtM'') 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 optimizing the return. There are two K-factors that capture the principal risks under RtM:

- **K-NPR: Net Position Risk**

This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange, and commodities in accordance with Regulation (EU) No.575/2013 ("CRR") (as prescribed by the IFR, the methodology for calculating capital requirements for this K-factor remain the same with the CRR, as amended). 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). The Company is therefore exposure to net position risk and to losses in the case where adverse market movement cause the value of positions to decline.

BrightPool Ltd is exposed to the following subcategories of NPR:

- ***<u>Foreign Exchange Risk</u>:*** Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. It arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency (Euro).

Risk Mitigating Measures: The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair. Even though the turbo warrants for which the Company acts as a Market Maker have several underlying currencies, the products are always priced in Euro. Therefore, the Company always settles sales or purchases of turbo warrants in Euro leading to no foreign exchange risk from its main business. The Company faces foreign currency exposures on its cash and cash equivalents denominated in currencies other than its functional currency. Any residual exposure is hedged in the normal course of business with third party hedging providers. Therefore, the Company is not exposed to any significant foreign exchange risk. Nevertheless, management monitors the exchange rate fluctuations on a continuous basis and acts accordingly if needed.

- ***Equity Risk***: Equity risk arises from the positions of the Company in turbo warrants for which the underlying instruments are equities or equity indices. The sum of the absolute values of all the Company's net long positions and all its net short positions is its overall gross position.

Risk Mitigating Measures: The Company calculates, separately for each market, the difference between the sum of the net long and the net short positions. The sum of the absolute values of those differences is its overall net position. Open position having as underlying instrument equity index, are not broken down into its underlying positions and are treated as if they were an individual equity. However, the specific risk on this individual equity can be ignored if the equity index in question is exchange traded and represents a relevant appropriately diversified index. To mitigate this type of risk, the Company uses risk mitigation techniques, such as setting maximum exposures limits and hedging the net outstanding positions of turbo exposures above limits with third party hedging providers.

- ***Commodity Risk:*** Commodity risk arises from the positions of the Company in turbo warrants for which the underlying instruments are commodities. Also, as per CySEC's circular C417 due to their characteristics, crypto assets may be treated as digital commodities and therefore Market Risk capital requirement for crypto exposures can be calculated under commodity risk. As at the reference date, the Company is exposed to cryptos due to its open positions for which the underlying instrument is cryptocurrency.

Risk Mitigating Measures: The Company calculates separately for each market the net exposure by product and hedge individually when pre-defined limits are breached using their underlying market. No trading is offered in commodity markets when the underlying market is closed.

4.3. 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 old Counterparty Credit Risk that used to be applicable under the old framework, CRR.

The Company, throughout the year under review, was exposed to TCD due to its hedging exposures.

Risk Mitigating Measures: BrightPool considers the credit quality of each counterparty and sets a Counterparty Exposure Limit. Current limits were set to not exceed at any time 100% of the Company's capital. Amber and Red Levels are monitored on daily basis and in case of breach, further escalation is deemed required and remedial actions are to be taken as appropriate. All service providers are bound by comprehensive legal agreements to ensure transparency in the Company's credit obligations.

- **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, excluding the value of orders that a CIF handles for clients through the R&T of client orders and through the execution of orders on behalf of clients which are already considered in the scope of Clients Orders Handled. No similar risk was captured under the old regime, CRR. DTF aims to capture the operational risks from a CIF's daily trading flow.

Based on the reference year the Company is exposed to the risk captured under K-DTF.

Risk Mitigating Measures: To reduce operational risk arising due to human error, the Company monitors for any strain on resources, ensuring sufficient staffing levels are in place for key business teams, so that processes are run effectively with controls maintained. Moreover, management looks to mitigate process risk through the maintenance of procedure documents, training, risk, and control self-assessments that identify key controls and highlight areas for improvement, and the production and review of appropriate management information.

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

K-CON captures the exposures in the trading book of the Company to a single counterparty / issuer or a group of connected counterparties / issuers the value of which exceeds the limits specified in IFR. The concentration risk regime applies to all investment firms with exposure limits applicable to all investment firms that deal as principal, even where this is for clients.

During the year under review, the Company was not exposed to this K-Factor since it did not exceed the defined limits.

4.4. Other Risks

4.4.1. Regulatory Environment Risk

Category	Principal Risks	Mitigating and Controls
Regulatory Environment Risk **The risk that the Company faces enhanced regulatory scrutiny with higher change of regulatory action, or the risk that the regulatory environment changes in a way that has an adverse effect on its business or operations, through reduction in revenue, increase in costs, or increases in capital and liquidity requirements.**	**REGULATORY RISK** The risk of investigation, enforcement, or sanction. This may be driven by internal factors such as the strength of its control framework or its interpretation, understanding or implementation of regulatory requirements. This risk can also arise from external factors, such as the current and changing priorities of the regulator's policy and supervision departments.	➢ Continuous monitoring of operations to ensure they adhere to regulatory requirements and expected standards. ➢ Continuous review of all regulatory incidents and breaches with deep dives performed on common themes. ➢ Policies and procedures are embedded with a regulatory compliant mindset.
	REGULATORY CHANGE The risk of government or regulator introducing legislation that could result in an adverse effect on the business or operations, through reduction in revenue, increases in costs or increases in capital and liquidity requirements.	➢ The Company fosters strong relationship with the regulator, with whom it actively seeks to converse to keep abreast of, contribute, to and correctly implemented regulatory changes. ➢ The Company pays close regard to relevant public statements issued by the regulatory that may affect the industry.
	TAX CHANGE The risk of significant adverse changes to the way in which the Company is taxed.	➢ The Company monitors developments in tax laws to ensure continued compliance and where appropriate and possible, collaborates with tax and regulatory authorities to provide input on tax policy.

4.4.2. Commercial Risk

Category	Principal Risks	Mitigating and Controls
Commercial Risk **The risk that the Company's performance is affected by adverse market conditions, failure to adopt an effective business strategy, or competitors offering more attractive products or**	**STRATEGIC DELIVERY** The risk that the Company's competitive position weakens, or our profits are lowered due to the failure to adopt or implement an effective business strategy.	➢ Regular strategy updates to the local Executive Committee and Board of Directors' detailing the strategic progress of the business ➢ External consultation and extensive market research undertaken ➢ Projects managed via a phased investment process, with regular review periods, to assess performance and determine if further investments are justified.

services.	**FINANCIAL MARKET CONDITIONS** The risk that the Company's performance is affected by adverse market conditions.	➢ Review of daily revenue, monthly financial information and KPIs.
	COMPETITOR The Company operates in a highly competitive environment and seek to mitigate competitor risk by maintaining a clear distinction in the market including detailed comparison of the terms of product offers.	➢ The Company's approach to conduct demands it put the members at the heart of the decision making. It does not engage in questionable practices. ➢ Ensure that the Company's product offering remains attractive, considering the other benefits that it offers including technology and service quality.

4.4.3. Business Model Risk (other than principal risks described under sections 4.1 – 4.3)

Category	Principal Risks	Mitigating and Controls
Business Model Risk **The risk the Company faces arising from the nature of its business and business model, including market, credit and liquidity risks, and capital adequacy adherence.**	**LIQUIDITY** The risk that the Company is unable to meet its financial obligations as they fall due.	➢ Active liquidity management is central to our approach, ensuring sufficient liquidity is in the right places at the right time.
	CAPITAL ADEQUACY The risk that the Company holds insufficient capital to cover its risk exposures and must curtail or cease operations.	➢ The Company conducts daily monitoring of compliance with all regulatory requirements. With the ICAAP process, the Company conducts an annual capital and liquidity assessment including the application of a series of stress-testing scenarios.

4.4.4. Conduct & Operational Risk (other than Daily Trading Flow)

Category	Principal Risks	Mitigating and Controls
CONDUCT AND OPERATIONAL RISK **The risk that Company's conduct poses to the sound, stable, resilient and transparent operation of**	**TECHNOLOGY AND INFORMATION SECURITY** The risk of data loss or that the Company's operations are affected, or members receive a degraded service or experience operational outage or system limitations.	The Company outsources technology through formal Service Level Agreement (SLA) which includes: ➢ Maintenance of a 24/7 incident management function. ➢ Security operations function with 24/7 strength-in-depth capabilities to monitor, prevent and triage cyber threats. ➢ DOS mitigation services and 24/7 incident

the financial markets and the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events.	Technology threats can evolve for poor internal practices and systems or from the continuously evolving cyber landscape.	management capabilities. ➢ Regular disaster-recovery capability testing ➢ Capacity stress testing ➢ Change Management and Quality Assurance functions undertake risk assessments. ➢ Investing in strength-in-depth capabilities to mitigate the ever-present and changing cyber threats.
	FINANCIAL CRIME The risk of failing to identify and report financial crime. Inadequate oversight and attempting to use the Company to commit fraud or launder money, third parties, trying to access corporate funds or employees misappropriating funds if an opportunity arose.	➢ The Company is the Market Maker of the MTF providing quotes to the exchange and therefore does not have any exposure to client information but only the orders executed. ➢ BPL identifies orders that are possibly subject to fraud or money laundering using pre-defined parameters which are in place for the orders executed. ➢ Mature control framework for identifying and reporting on suspicious transactions, which is designed to protect the integrity of the financial markets and provide a stable and fair environment.
	TRADING ISSUES The risk related to any issues around the hedging, trading and process for corporate actions, dividends, etc.	➢ A 24/5 approach with dealing desk providing 24-hour coverage. The Company applies Board approved market risk limits and operate under a robust control framework to mitigate its exposure to loss through operational risk events which may impact trading.
	FINANCIAL INTEGRITY AND STATUTORY REPORTING ISSUES The risk of production issues which could lead to untimely, incomplete, or inaccurate Financial Statements, transaction reporting, tax filing, regulatory capital and forecasting.	➢ The Company has robust control environment which aims to reduce operational risk events from manifesting. ➢ Dedicated Group specialist steering committees which help manage areas such as transaction reporting, financial crime, financial reporting and potential forecasting.
	OUTSOURCING The risk that the services provided by the Group to Brightpool are not performed in line with the intra-company Service Level Agreement.	➢ The Company performs outsourcing risk assessments for the third parties involved in the business operations.

5. Own Funds

As per the prudential 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 always meet all the following conditions:

- **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.

Brightpool only holds Common Equity Tier 1 items which incorporates share capital and retained earnings. The firm does not have Additional Tier 1 or Tier 2 instruments.

Table 5.1 below presents the composition of the Company's Own Funds as at 31st of May 2024, while Table 5.2 indicates how these Own Funds reconcile with the Company's audited Statement of Financial Position 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 at 31st of May 2024, the Company's Own Funds comprised only of Common Equity Tier 1 capital. As shown below, the Company's Own Funds as at 31st of May 2024 amounted to €24.267 thousands.

Table 5.1: Template EU IF CC1.01 - Composition of Regulatory Own Funds

		Amounts (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Ref.	**Common Equity Tier 1 (CET1) capital: instruments and reserves**		
1	**OWN FUNDS**	**24.267**	
2	**TIER 1 CAPITAL**	**24.267**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**24.267**	
4	Fully paid-up capital instruments	18.260	Ref.1 (Shareholder's Equity)
5	Share premium	-	
6	Retained earnings	6.047	Ref.3 (Shareholder's Equity)
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	(1)	
11	Other funds	-	
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(39)	
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	-	
18	(-) Goodwill	-	
19	(-) Other intangible assets	-	

20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(39)	Ref.2 (Assets)
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments	-	
28	**ADDITIONAL TIER 1 CAPITAL**	**-**	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
32	(-) Own AT1 instruments	-	
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	
38	(-) Other deductions	-	
39	Additional Tier 1: Other capital elements, deductions and adjustments	-	
40	**TIER 2 CAPITAL**	**-**	
41	Fully paid up, directly issued capital instruments	-	
42	Share premium	-	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	
47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

Table 5.2: Template EU IF CC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

		Balance sheet as in published/audited financial statements As at 31 May 2024 (€'000)	Cross reference to EU IF CC1
Ref.	**Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements***		
1	Property, plant and equipment	202	
2	Deferred tax assets	39	Ref. 20
3	Deposits and prepayments	25	
4	Financial assets at amortized cost	19.748	
5	Derivative financial asset	198	
6	Current income tax refundable	41	
7	Cash and cash equivalents	11.565	
	Total Assets	**31.818**	
Ref.	**Liabilities** - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*		
1	Lease Liabilities (non-current liabilities)	56	
2	Derivative financial liability	401	
3	Lease liability (current liabilities)	73	
4	Trade and other payables	6.962	
5	Current income tax liabilities	-	
	Total Liabilities	**7.492**	
Ref.	**Shareholders' Equity**		
1	Share capital	18.260	Ref. 4
2	Other reserves	19	
3	Retained earnings	6.047	Ref. 6
	Total equity	**24.326**	

6. Minimum Capital Requirements

Under the IFR & IFD framework, Class 2 investment firms shall at all times have own funds at least the highest amount of the Permanent Minimum Capital Requirement (PMCR), Fixed Overhead Requirements (FOR) and the K-Factors Requirement.

6.1. Permanent Minimum Capital Requirement (PMCR)

The Company monitors its Own Funds on a continuous basis and ensures that they remain well above the Permanent Minimum Capital Requirement of €750 thousands as at 31st of May 2024 which is set in accordance with Article 14 of the IFR and Article 9 of the IFD.

6.2. Fixed Overheads requirement (FOR)

The fixed overheads requirement (FOR) applies to all CIFs and is intended to calculate a minimum amount of capital that a CIF would need available to absorb losses if it has cause to wind-down or exit the market. It is calculated as the one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provision of Article 13 of IFR. The Company's fixed overheads requirement based on the latest audited financial statements is €617 thousands.

6.3. K-Factor Capital Requirement

The K-Factors are quantitative indicators that reflect the risk that the prudential regime intends to address. Specifically, capital requirements from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies. The Company calculates its overall "K-Factor" capital requirement on a continues basis in accordance with Articles 16 through to 33 of the IFR. The total K-Factors as at 31st of May 2024 amounted to €2.597 thousands.

Table 6.1 below breaks down the Pillar I minimum capital requirements that the Company was required to hold as at 31st of May 2024.

Table 6.1: Minimum Capital Requirements

Minimum Capital Requirements		31 May 2024 (€'000)
Risk-to-Client (RtC)	K-AUM	-
	K-CMH	-
	K-ASA	-
	K-COH	-
Risk-to-Market (RtM)	K-NPR	2.406
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	174
	K-DTF	17
	K-CON	-
Total K-Factor Requirement		**2.597**
Fixed Overhead Requirement ('FOR')		**617**
Permanent Minimum Capital Requirement ('PMCR')		**750**

Therefore, under the IFR & IFD requirements, the Company's Minimum Capital Requirement as at 31st May 2024 should have been at least equal to the total K-Factor Requirement of €2.597 thousands.

The Company's Own Funds comprised entirely of Common Equity Tier 1 capital and amounted to €24,267 thousands which exceeds the minimum capital requirement of €2.597 thousands and thus resulting to a capital surplus of €21.670 thousands.

As indicated in Table 6.2 below, as at 31st of May 2024 the Capital Adequacy (CAD) ratio of the Company amounted to 934,39% which far exceeded the minimum required threshold of 100%.

Table 6.2: Capital Excess/Ratio

	31 May 2024 (€'000)	Reference
Capital		
Common Equity Tier 1	24.267	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	**24.267**	***a***
Own Funds Requirement		
K-factor Requirement	**2.597**	*b*
Fixed Overhead Requirement	**617**	*c*
Permanent Minimum Capital Requirement	**750**	*d*
Minimum Own Funds Requirement	**2.597**	***e = (higher of b, c, d)***
Capital Excess/Ratio		
Capital Excess	**21.670**	***a-e***
Capital Ratio	**934,39%**	***a/e***

7. Remuneration Policy

Remuneration means all forms of payments or benefits provided directly or indirectly by the Company to its staff, third parties, service providers, in the provision of investment and/or ancillary services. It can be either financial (such as cash, shares, options, pension contributions, remuneration by third parties e.g., through carried interest models, wage increases) or non-financial (such as career progression, health insurance, discounts or special allowances for car or mobile phone, generous expense accounts, seminars at overseas destinations, etc.) and consists of basic fixed components.

The Company's remuneration policy is consistent with the regulatory requirement under the Investment Firm Directive ('IFD'). The Company's shareholder remuneration committee reviews the policy annually taking into account market conditions, company and individual performance, regulatory developments, and good corporate governance. Moreover, Brightpool's Board is required to review and approve the policy in respect of its local application.

It is ensured the remuneration policy encourages responsible business conduct and promote risk awareness and prudent risk taking. Also, it is safeguarded the remuneration policy and Company practices are consistent with and promote sound and effective risk management and are in line with the business strategy objectives and long-term interests of the Company. Particularly, this includes consideration of the Company's risk appetite and strategy, including environmental, social and governance risk factors and the Company's culture and values.

The Company is committed to equality and non-discrimination across the organization, including but not limited to, all protected characteristics detailed under the Equality Act 2010. As a result, gender neutrality is a core feature of Company's policies and practices, in support of Equal pay for male and female workers, for equal work or work of equal value. The Company believes that all individual remuneration decisions should be made on fair and equitable basis regardless of an employee's race, color, religion, gender, gender expression, sexual orientation, age, or disability. Decisions should be based on an employee 's performance in the context of their role and market in which they operate.

The key principles of the remuneration policy include:

- Think total reward - a "total reward" approach considering base salaries, benefits and incentive pay collectively when determining packages.
- Sharing Company's success - the majority of incentives should be aligned to the Company's performance through remuneration packages being appropriately leveraged depending on the level and nature of the role.
- Pay balances confidence in outcomes and role recognition even in more challenging years - reward frameworks should enable the Company to incentivize colleagues and motivate good operational performance even in more challenging years.
- Locally and role competitive - remuneration should be competitive based on location and nature of the role, with total reward being positioned at upper quartile for critical roles and in key locations.
- the remuneration policy is clearly documented and proportionate to the size, internal organisation, its entities, and nature.
- the remuneration policy is gender neutral.
- the remuneration policy is consistent with and promotes sound and effective risk management.
- the remuneration policy is in line with the business strategy and objectives of the Shareholder, its, and relevant regulated entities, and also takes into account long term effects of the investment decisions taken.

The Company's Remuneration Policy has measures to avoid conflicts of interest including:

- The Shareholder's Remuneration Committee (RemCo) and Brightpool's local Board directly oversees the remuneration of all market risk takers (MRTs), including senior officers in the Risk and Compliance functions.
- The RemCo is fully composed of independent Non-Executive Directors.
- No individuals are involved in deciding their own remuneration.
- Control functions are remunerated independently from the business areas that they oversee.

Staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated according to the achievement of the objectives linked to their functions, independent of the performance of the business areas they oversee. In addition, base salaries for staff in control functions are sufficiently high to attract and retain qualified and experienced staff and to ensure that total remuneration is not overly reliant on performance based variable remuneration that could encourage inappropriate risk taking.

Following EBA'S Guidelines on sound remuneration under IFD concerning variable remuneration, it is based on a combination of the performance of the shareholder, its relevant regulated entities and employee. The shareholder operates a discretionary annual bonus scheme for all employees. All Brightpool employees are based on fixed plus annual bonus remuneration scheme. The bonus pool is determined by two elements i) shareholder's profit before tax ii) non-financial measures as determined by the shareholders remuneration committee reflecting the continued focus on strategic delivery to support the longer-term growth of the shareholder. Variable remuneration will be paid only if it is sustainable according to the financial situation of the shareholder and its relevant regulated entities. The determination of the variable remuneration pool(s) is subject to review by the Chief Risk Officer and Chief Financial Officer to ensure it will not represent a risk or constraint to the shareholders capital base, or to the level of current or planned future earnings. No variable remuneration will be paid if its payment would impact the soundness of the shareholder's or its relevant regulated entity's capital base. An annual bonus awards based on the individual's performance is also provided by the Company. The individual performance reflects three elements i) employee's role and responsibilities ii) achievement against goals and iii) behavior against Brightpool's values. Individual performance is rated on a four-point scale at the end of the financial year in May where line managers will evaluate performance against the three elements discussed above. This will form part of the discretionary decision to award the annual bonus.

Each year bonusses are reviewed to ensure decisions are equitable for comparable employees. Any such review issued to ensure that any differences identified should reflect varying levels of performance only. Also, the Company ensures that remuneration is appropriately balanced between fixed and variable elements of remuneration for all employees.

The table below provides the aggregate remuneration of Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration. Also, the table includes the ratios of fixed and variable remuneration.

	Number of beneficiaries	Fixed Remuneration for 31 May 2024 (€'000)	Variable Remuneration for 31 May 2024 (€'000)	Total Remuneration for 31 May 2024 (€'000)
Senior Management - Directors	5	387	138	525
***Heads of Departments**	*5*	*387*	*138*	*525*
Non-Executive Directors	2	50	-	50
Total	**7**	**437**	**138**	**575**

* The heads of the departments also consist part of the senior management team, thus excluded from the total.

During the year under review the Company provided variable remuneration fully in cash form (i.e., staff bonuses) to its risk takers. Also, during the year under review remuneration of €14,214 (total €18,704) was awarded under deferral arrangements, which vest after two years, conditional upon continued employment at the vesting date. The Company did not pay or award any sign-on or severance payments.

In addition, institutions are required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of Euro 1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Company that are remunerated Euro 1 million or more per financial year and as such the above disclosure is not applicable to the Company.

8. Environmental, social and governance risks

In accordance with Article 53 of the IFR, from 26 December 2022, investment firms 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 May 2024 the Company does not meet the requirement therefore, no further disclosure is required.

9. 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 EUR 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 behavior 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;
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 May 2024 the Company does not meet the requirement therefore, no further disclosure is required.

10. Appendix Own Funds

Template EU IF CCA: Own funds: main features of own instruments issued by the firm		
1	Issuer	Brightpool Limited
2	Unique identifier (Legal Entity Identifier)	2138007MC4C34J892J46
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	18.260.000 €
7	Nominal amount of instrument	18.260.000 €
8	Issue price	1 €
9	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Original date of issuance	29/05/2019 901.000 shares 28/06/2019 1.000.000 shares 02/09/2019 3.000.000 shares 25/03/2020 2.000.000 shares 10/01/2023 11.359.000 shares
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
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary, or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary, or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-converitble
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

Template EU IF CCA: Own funds: main features of own instruments issued by the firm		
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A