

CROWDBASE LTD

Solo Pillar III disclosures for the year ended 31 December 2022

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

Financial Year 2022

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1. Introduction

This Report is prepared in accordance with the Investment Firms Regulation (EU) 2019/2033 (“the Regulation” or “the IFR”) 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 and the Investment Firms Directive (EU) 2019/2034 (“the Directive” or “the IFD”) on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (collectively, “IFR/IFD Framework”).

Furthermore, Law 165(I)/2021 on the prudential supervision of Investment Firms is in force, for the purposes of harmonisation of the IFD and effective implementation of the IFR.

1.1. Corporate Information

This Report is based on the financial statements of Crowdbase Ltd (the “Company”).

The Company is required to prepare annually this report, regarding capital, risks and other information related to Market discipline. The Company’s information is presented in the following table:

Table 1: Company Information

Name of Entity	Country of incorporation	Regulator	Principal Activity	LEI Code
Crowdbase Ltd	Cyprus	CySEC	Crowdfunding services	254900DXIQ4SX56YP250

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 2017, (L.87(I)/2017) as amended (the “Law”). The Company is authorized from CySEC to provide the following investment and ancillary services (license number 410/22 dated 31/1/2022):

Table 2: Authorised Activities

Investment Services	Financial Instruments
Reception and transmission of orders in relation to one or more financial instruments	Transferable securities
Placing of financial instruments without a firm commitment basis	Transferable securities
Ancillary Services	Financial Instruments
Safekeeping and administration of financial instruments, including custodianship and related services	Transferable securities
Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings	N/A

The Company has started the procedure of its transition under the EU Regulation and will assess whether it will continue to maintain its license as a Cypriot Investment Firm once it is granted an authorization by the CySEC under the Regulation (EU) 2020/1503 on European Crowdfunding Service Providers for business (the Regulation or 'ECSP Regulation').

Based on the rules set by the IFR/IFD Framework the Company is classified as a Class 2 Investment Firm. As a result, the Company's Audited calculations and results in regards to Minimum Capital Requirements, presented in this Report are based on Class 2 requirements for Investment Firms.

1.2. Scope of Disclosures

The Pillar III disclosures Report (the 'Report') is prepared in accordance with the disclosure requirements as laid out in Part Six of the IFR. Investment Firms are required to disclose their capital resources, capital requirements, remuneration policies, practices and governance standards. The Company calculates its capital requirements and capital ratios on an individual (solo basis) and does not apply consolidation for either accounting or prudential purposes. The Company does not have subsidiaries, nor is it a subsidiary of a Parent Company. The Company's Financial Statements are prepared in accordance with the International Financial Reporting Standards ("IFRS").

1.3. Regulatory Framework – Overview

This Report is prepared as required by Part Six of Regulation 2019/2033 of the European Parliament and of the Council. Under this regulatory obligation, the Company is required to disclose information relating to its capital, the risks it faces and to promote market discipline.

The previous prudential regime of Investment Firms (CRR, CRDIV) was largely based on successive iterations of the international regulatory standards set for large banking groups by the Basel Committee on Banking Supervision and only partially addressed the specific risks inherent to the diverse activities of a large number of investment firms. Therefore, the EU adopted a new harmonized prudential regime that applies to all investment firms from 26 June 2021.

In particular, EU Regulation 2019/2033 on the prudential requirements of investment firms ("Investment Firm Regulation" or "IFR") and 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) – have been developed to address the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements. The Report is prepared on a Solo basis and the information disclosed relates to the reference date 31st December 2022.

1.4. Location and Frequency of Disclosures

The disclosures are published on an annual basis, in accordance with the provisions of Part Six of the IFR and paragraph 31(1) of Part II of the Directive DI144-2014-14, will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements. The Company's Pillar III disclosures are available on the Company's website at: www.crowdbase.eu/policies/pillar-3-2022

1.5. Operating Environment of the Company

On February 24th, 2022, the conflict between Russia and Ukraine escalated, leading to a heightened geopolitical situation in Eastern Europe. This situation did not affect the Company in terms of operations, liquidity and profitability. The Company has implemented measures to mitigate the risks associated with the sanctions imposed, including limitations on accepting clients and increased scrutiny on clients and potential clients connected to Russia and Belarus. However, the Company does not have or maintain business

relationships or transactions with any individuals or entities listed in the EU Council's restrictive measures and other sanctions against Russia.

2. Governance arrangements

The Company is governed by the Board of Directors (“BoD”) which consists of two executive directors and three non-executive directors:

Table 3: Directors of the Company

Name	Position
Frixos Larkos	Executive Director
Panayiotis Kakourides	Executive Director
Philippos Larkos	Non-Executive Director (Chairman)
Christakis Vassiliou	Non-Executive Director
Kostas Melanides	Non-Executive director

The Board of Directors is the ultimate managerial and decision-making body of the Company and is responsible for overseeing its operations. The BoD operates in accordance with the provisions of the applicable legislation, it has the overall responsibility for the Company and approves and oversees the implementation of the Company's strategic objectives, risk prevention strategy and internal governance. It defines, oversees and is responsible for the implementation of the Company's internal procedures as these are described in the Company's Internal Operations Manual.

The BoD meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies and receives and reviews, at least on an annual basis, the following reports:

- The AML Report
- The Compliance Report
- The Risk Management Report
- The Internal Audit Report
- The ICARA Report

The number of directorships held by members of the BoD (including the directorship held in the Company) is shown in the table below.

2.1 Number of Directorships held by the Members of the Board

Table 4: Number of directorships of the Company:

Name of Director	Position within the Company	Executive Directorships	Non-Executive Directorships
Frixos Larkos	Executive Director	2	1
Panayiotis Kakourides	Executive Director	1	-
Philippos Larkos	Non-Executive Director	10	3
Christakis Vassiliou	Non-Executive Director	2	1

Name of Director	Position within the Company	Executive Directorships	Non-Executive Directorships
Kostas Melanides	Non-Executive Director	-	5

Notes 1: The information in this table is based only on representations made by the directors of the Company at the time of preparation of the disclosure.

Note 2: For the purposes of the above, Executive or non-executive directorships held within the same group shall count as a single directorship.

2.2 Recruitment and Diversity Policy on Selection of Members of the Board of Directors ('the BoD')

The Company is committed to promote a diverse and inclusive workplace at all levels and recognizes the benefits of having a Board that promotes diversity in its members. 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 Company. For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age, cultural and educational background, for the Board appointments. Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the Company's activities, including the main risks to ensure the sound and prudent management as well as sufficient knowledge, of the legal framework governing the operations.

In accordance with the requirements set by the Guidelines GD-IF-01 ("Guidelines for compliance with the authorization and operating conditions of CIF – Persons employed by CIF"), key persons employed by a CIF, including individuals employed in managerial or other key control positions, must meet the following criteria: good reputation, skills, knowledge and expertise and a relevant academic title or degree or professional qualification and relevant experience. During the hiring process, the Company took into account the following criteria: the morality and reliability (character) of the relevant person, the academic qualifications, the professional experience, possession of certificates of professional competence.

3. Risk Management Objectives and Policies

To ensure effective risk management, the Company has adopted the three lines of defence model which with clearly defined roles and responsibilities:

The **first line of defence** consists of the manuals, policies, procedures, and controls prepared by the Compliance Department, approved by the Board, and implemented by the management and the departments, covering the Company's area of business.

The **second line of defence** is implemented by the support functions, i.e. the compliance and risk management which oversee the day-to-day implementation of the standards and controls using a number of tools and methodologies that identify situations/activities in need of mitigation and monitoring.

The **third line of defence** is Oversight (Monitoring & Auditing): Comprised by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly as well as reviewing the Company's relevant policies and procedures. The twin objectives of monitoring and auditing are to determine whether policies, procedures and controls are designed and operating efficiently, and to determine whether deficiencies are resolved in a timely manner.

3.1. Risk Management Function and Organizational Structure

The Risk Management function is independent from other operational functions, possesses the necessary authority for the fulfilment of relevant duties and responsibilities, as well as direct access to the Company's Board of Directors.

The Risk Management Function consists of the Risk Manager ('RM') who reports directly to the Senior Management and the Board. The Risk Management function aims to identify and monitor various risks that influence Company operations. Priority is given to managing risks associated with clients' assets and Company shareholders. The Risk Manager is responsible for the following tasks:

- a. Monitoring of risk management policies and procedures as defined by the BoD, which identifies risks relating to the Company's activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Company.
- b. Evaluating the adequacy and effectiveness of measures taken, to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.
- c. Monitoring Company compliance level and its relevant persons with the arrangements, processes and mechanisms adopted in accordance with the above paragraph.
- d. Ensuring that for each quantifiable risk, the defined limits are followed.
- e. Reporting to the BoD on a frequent basis the Company risk profile.
- f. Ensuring that in case of expansion into new business areas or asset classes, any rewards are always weighted by their associated risks.
- g. Monitoring of the underlying environment in which the Company operates for any material changes that may arise and to warn the BoD and related managers.
- h. Contributing to the evaluation process, as this is defined by the Evaluation Committee, in terms of risk management matters and policy set-up, and recommend appropriate action when necessary.

3.2. Risk Management Framework

The objective of the Company is to incorporate clear and strong risk management procedures throughout all of its business activities to ensure that the level of risk it encounters aligns with its corporate objectives and its capacity for risk. This is accomplished through the implementation of a comprehensive risk management framework that encompasses the identification, assessment, monitoring and control of all relevant risks.

The risk management framework is a comprehensive process that enables the Company to manage its risks effectively. It ensures that appropriate measures are in place to mitigate risks and creates a culture of risk awareness within the Company. Furthermore, it guarantees that risk management is an integral part of the Company's decision-making process, allowing for informed and calculated decisions.

Identification of Risks: The Company identifies and assesses all risks associated with its business activities.

Risk Assessment: Once a risk has been identified, the Company assesses the likelihood and potential impact of the risk on the business and the processes, systems and controls that mitigate those risks to an acceptable level.

Risk Response: The Company develops options and strategies to mitigate the potential impact of the risk identified.

Risk Monitoring: The Company continuously monitors its business activities to ensure that identified risks are effectively managed, and new risks are identified in a timely manner. This includes the regular review of

the risk management process of the Company, keeping up to date with regulatory developments and monitoring industry trends and best practices.

Risk Management Committee

Given the size and nature of its operations, the Company has not established a Risk Management Committee.

Investment Committee

Given the size and nature of its operations, the Company has not established an Investment Committee.

Evaluation Committee

The Company has established an Evaluation Committee, which is responsible for the ultimate selection decision on all crowdfunding projects and ensures fairness of the valuation of the projects under consideration. The Committee consists of two executive directors and one non-executive director.

Internal Control Function

The internal control and risk management system is overseen by the following functions reporting directly to the BoD: the four eyes, the Compliance Officer, the Risk Manager, the Internal Auditor.

Four Eyes

The Executive Directors of the Company, namely, the Managing Director ('MD') and the Deputy Managing Director ('DMD'), are the four eyes of the Company. These members have a joint responsibility in monitoring, managing and implementing policies, which safeguard the Company with regard to the Law and CySEC directives and other relevant legislation. The Deputy Managing Director supports the Managing Director in its role, which is to provide leadership and strategic direction to enable the successful achievement of the goals and objectives of the Company as well as to manage day-to-day operations and assume responsibility for all Company activities, including personnel, financial and operational management, and corporate planning and project implementation.

Internal Audit Function

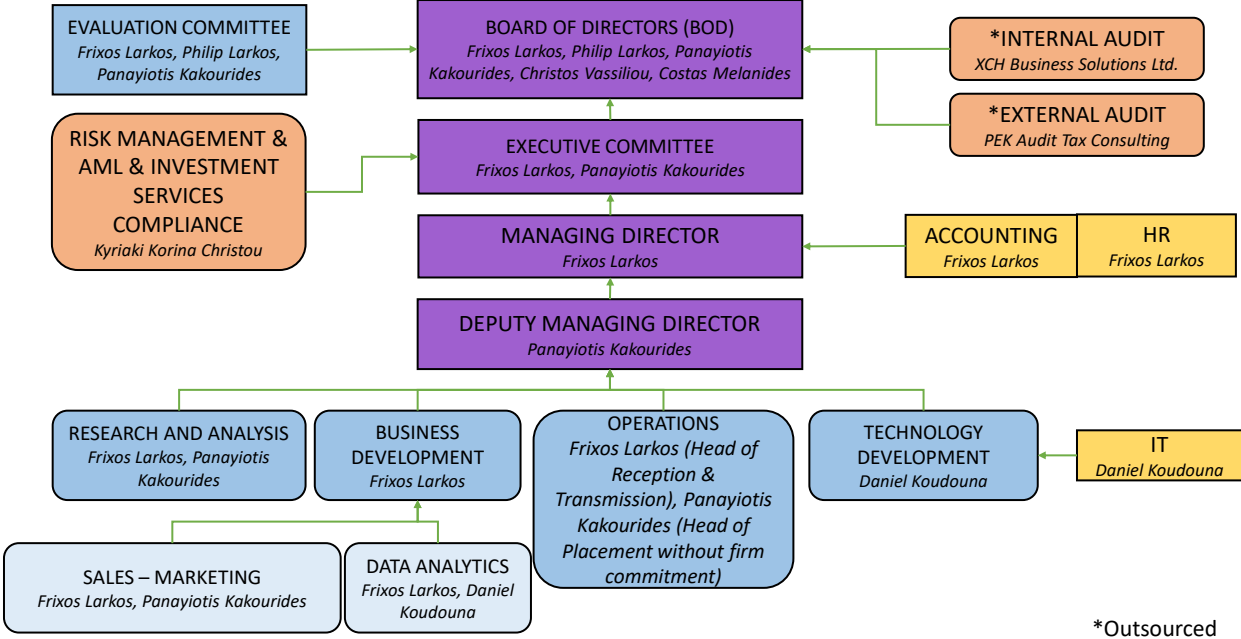
The Internal Auditor reports to the Executive Directors and the Board of the Company and is separated and independent from the other functions and activities of the Company. The Internal Auditor has access to the Company's premises, systems, information, personnel and financials. The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken according to the Board's assessment and prioritization.

Compliance and AML Function

The BoD has appointed a Compliance Officer which is also the Anti-Money Laundering Compliance Officer (the 'AMLCO') of the Company. The Compliance function operates independently and reports primarily to the BoD and directly to the Executive Directors (the 'four eyes') of the Company. The Compliance Function is not involved in the performance of activities/services it monitors. The main duty of the Compliance Officer is to ensure on a continuous basis the adequacy and effectiveness of the measures and procedures that are in place to comply with all laws and regulations which relate to the activities of the Company. The AML Function ensures that the operations and activities of the Company are in compliance with the laws, rules and all pertinent directives of regulatory bodies that relate to ML & TF and the AML Compliance Officer (the 'AMLCO') is responsible to review, appraise, and report and monitor relevant action on compliance issues as required. The AMLCO reports primarily to the BoD and directly to the four-eyes of the Company.

Clear reporting lines and responsibilities are specified through the Company's organizational structure, which can be found below:

Table 5: Organisational Structure



3.3. Risk Statement

The Board of Directors is required to proceed with an annual risk statement on the adequacy of the risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company’s risk profile. The risk management framework is designed to identify, assess, mitigate, and monitor all sources of risk that could have a material impact on the Company’s operations. The Board considers that it has in place adequate systems and controls with regard to the size of the Company, risk profile and strategy in order to avoid or minimise loss.

3.4. Policies for mitigating risks

The Company has various policies for mitigating risk, which govern its operations and aim in identifying, assessing, managing, and mitigating specific categories of risk:

- Internal Procedures Manual
- Risk Management Policy
- Anti-Money Laundering and Terrorist Financing Manual
- Business Continuity Plan
- Customer Complaint Policy
- Remuneration Policy

The above manuals/policies are communicated to all relevant employees of the Company.

The company’s risk management approach is characterized by a low appetite for risk, as evidenced by the implementation of efficient processes for identifying, evaluating, monitoring, and mitigating risks. All functions within the organization adhere to the established risk management procedures.

A description of the main risks faced by the Company can be found below:

3.5. Principal Risks

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Operational risk is one of the major risks that the company is facing where errors, fraud or disruptions to service can have monetary or reputational costs.

Measures

The Company performs continuous secure operations of all systems which are hosted on servers with high availability and copies of the backed-up databases are stored in a different location for safety and recovery reasons.

The Company also implements various cybersecurity measures in collaboration with Cloudflare, a leading cybersecurity solutions and services provider. By utilizing the provider's offerings, the Company benefits with Distributed Denial of Service (DDoS) protection, Web Application Firewall (WAF), Domain Name System (DNS) security, Secure Sockets Layer (SSL) and Transport Layer Security (TLS) encryption.

Sensitive data handled by third-party providers such as Digital Ocean and AWS exposes the Company to potential cyberattacks. To minimize security risks, the Company regularly reviews provider security policies and certifications, ensuring they adhere to industry best practices as leading cloud service providers.

Key person dependency is another risk the Company faces. The Company is heavily dependent on its CEO (and Managing Director of the Company) and CTO, creating a risk if either becomes unavailable. To mitigate this, critical processes are documented, and employees are cross-trained. The Deputy Managing Director ('DMD') can temporarily replace the CEO, and the CEO can partly cover the CTO's responsibilities, ensuring smooth operations during short absences.

The Company also faces fraud and misconduct risks, including identity theft, insider fraud, and payment fraud. To mitigate these risks, the Company monitors accounts for suspicious activities, employs a robust KYC procedure, enforces strict access controls and oversight, and partners with a leading payment processor like Stripe to flag potentially fraudulent transactions.

Reputational Risk

Reputational risk is the risk of damage to a company's reputation resulting from negative publicity or public perception. The Company's reputation is critical to its success as a crowdfunding service provider.

Reputational damage may result from project failures, payment processing risks, or negative publicity resulting from fraud or cyber-attacks as well as negative reviews on social media or other online platforms and unsatisfied clients.

Measures

The Company places a strong emphasis on ensuring the satisfaction of its customers by providing them with information that is fair, transparent, and not misleading and prioritizes compliance with all relevant legislation. Additionally, the Company conducts due diligence before placing any crowdfunding campaign on its platform. Negative reviews on social media can spread quickly, potentially causing severe damage to the Company's reputation. The Company monitors social media and online platforms to identify any negative reviews or comments in order to respond quickly to any negative feedback. The main goal of the Company is to respond promptly and professionally by acknowledging the clients' concerns and taking action to resolve any issues.

Crowdfunding platforms rely on payment processing systems to collect funds from investors and distribute them to project owners. Payment processing risks include payment fraud, chargebacks, and

delays in payment processing. To mitigate this risk, Crowdbase partners with Stripe, a reliable payment processor, and has robust payment processing systems in place.

Compliance & Regulatory Risk

In relation to the regulatory framework and the regulator: This is a risk of failing to comply with relevant regulation and directions/instructions by the regulator.

Regulatory risk is the risk of loss resulting from changes in laws and regulations governing the industry in which a company operates. As a crowdfunding service provider, Crowdbase is subject to various laws and regulations governing the industry. Failure to comply with these regulations could result in penalties, fines, or even suspension of operations.

Measures

The Company has a dedicated Compliance Function responsible for ensuring that the Company complies with all applicable laws, regulations, and industry standards. The compliance function has adequate resources and authority to carry out its responsibilities effectively. Additionally, the Compliance Function conducts regular compliance checks in order to ensure that the Company meets its regulatory and compliance requirements effectively.

AML Risk

One of the main risks that Crowdbase faces is Anti-Money Laundering (AML) risk. To prevent money laundering and terrorist financing, Crowdbase is required to adhere to the applicable Law and Directives. To this end, the Company conducts customer due diligence, monitors transactions and reports suspicious activities to regulatory authorities. Failure to comply could result in significant fines and legal penalties, as well as damage to the company's reputation.

4. Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses.

During the year under review, the primary objective of the Company with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its own funds and that the Company maintained healthy capital ratios in order to support its business.

Further to the above, the Company as a Class 2 investment firm shall at all times have own funds at least the highest of the following:

- Initial minimum requirement,
- Fixed Overheads Requirements and
- K-Factors Requirement.

4.1. Composition of Own Funds

Institutions shall disclose information relating to their own funds. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 (CET1) and Additional Tier 1(AT1) instruments and Tier 2 (T2) instruments issued by the institution.

The composition of the capital base and capital ratios of the Company on a solo basis are shown in the following table:

Table 6: Composition of regulatory Own Funds as at 31 December 2022

Template EU IF CC1.01

	(a)	(b)
	Amounts (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves	
1	OWN FUNDS	156
2	TIER 1 CAPITAL	156
3	COMMON EQUITY TIER 1 CAPITAL	106
4	Fully paid up capital instruments	Reference 11
5	Share premium	0
6	Retained earnings	Reference 13
7	Accumulated other comprehensive income	0
8	Other reserves	0
9	Minority interest given recognition in CET1 capital	0
10	Adjustments to CET1 due to prudential filters	0
11	Other funds	0
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-150
13	(-) Own CET1 instruments	0
14	(-) Direct holdings of CET1 instruments	0
15	(-) Indirect holdings of CET1 instruments	0
16	(-) Synthetic holdings of CET1 instruments	0
17	(-) Losses for the current financial year	Reference 13
18	(-) Goodwill	0
19	(-) Other intangible assets	Reference 1
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	0
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	0
25	(-) Defined benefit pension fund assets	0
26	(-) Other deductions	0
27	CET1: Other capital elements, deductions and adjustments	Reference 2
28	ADDITIONAL TIER 1 CAPITAL	50
29	Fully paid up, directly issued capital instruments	Reference 7
30	Share premium	0
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0
32	(-) Own AT1 instruments	0

33	(-) Direct holdings of AT1 instruments	0	
34	(-) Indirect holdings of AT1 instruments	0	
35	(-) Synthetic holdings of AT1 instruments	0	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	0	
38	(-) Other deductions	0	
39	Additional Tier 1: Other capital elements, deductions and adjustments	0	
40	TIER 2 CAPITAL	0	
41	Fully paid up, directly issued capital instruments	0	
42	Share premium	0	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
44	(-) Own T2 instruments	0	
45	(-) Direct holdings of T2 instruments	0	
46	(-) Indirect holdings of T2 instruments	0	
47	(-) Synthetic holdings of T2 instruments	0	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	0	
50	Tier 2: Other capital elements, deductions and adjustments	0	

4.2. Reconciliation of regulatory capital with solo financial statements

A reconciliation between the Company's audited Balance Sheet and its regulatory Own Funds calculation is provided in the table that follows:

Table 7: Reconciliation of regulatory capital with solo financial statements:

Ref.	Balance sheet as in published/audited financial statements	a	c
		Amount As at 31 Dec 2022 (€'000)	Cross reference to EU IF CC1
Assets			
1	Intangible assets	69	Reference 19
2	Investor Compensation Fund	39	Reference 27
3	Cash and cash equivalents	154	
4	Other non-current assets	509	
5	Other current assets	10	
6	Total Assets	781	
Liabilities			
7	Subordinated loans from shareholders	50	Reference 29
8	Other non-current liabilities	3	
9	Other current liabilities	514	
10	Total Liabilities	567	
Shareholders' Equity			
11	Share capital	344	Reference 4

12	Share premium	0	
13	Accumulated losses	-130	Reference 6 & 17
14	Total Shareholder's Equity	214	

5. Capital Requirements

The new IFR/IFD framework introduces a different approach for calculating the Minimum Capital Requirements, which dictates for Class 2 investment firms, that they are derived by taking the highest of the Fixed Overhead Requirement ("FOR"), the Permanent Minimum Capital Requirement ("PMCR") and the K-factors that apply to each investment firm.

5.1. Initial Capital Requirement ("ICR")

As per the Title III of the Law on the prudential supervision of investment firms, the initial capital of a CIF which is authorised to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law, shall be €750,000 while for a CIF which is authorised to provide any of the investment activities listed in points (1), (2), (4), (5) and (7) and which is not permitted to hold client money or securities belonging to its clients, the initial capital shall be €75,000. For all other CIFs, the initial capital shall be €150,000.

Therefore, taking into account the services provided by the Company and that the Company is permitted to hold client money belonging to its clients, its initial capital is €150,000.

5.2. Fixed Overheads Requirement ("FOR")

The fixed overheads requirement (FOR) applies to all CIFs. The FOR 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.

Further to the above the FOR does not cover the following:

- staff bonuses and other remuneration, to the extent that they depend on the net profit of the investment firm in the respective year;
- employees', directors' and partners' shares in profits;
- other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary;
- shared commission and fees payable, which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent on the actual receipt of the commission and fees receivable;
- fees to tied agents;
- non-recurring expenses from non-ordinary activities

The Company's fixed overheads requirement based on the latest audited financial statements are as per the table below:

Table 8 Fixed Overheads Requirement:

Item	€'000
Total Expenses	127
Variable Expenses	51

Annual Fixed Overheads	76
Fixed Overheads requirement	19

5.3. Permanent Minimum Capital Requirement (“PMCR”)

Taking into account the services provided by the Company and that the Company is permitted to hold client money belonging to its clients, the Permanent minimum capital requirement of the Company is €150,000.

5.4. K-Factor Capital Requirement

The K-factors are a series of risk parameters/indicators representing specific risks that the Company faces. In other words, The K-factor requirement: K-factors are quantitative indicators that aim to identify risks that an investment firm may pose to (‘RtC’), to market access (‘RtM’) or the investment firm itself (RtF). The K-Factor requirement shall amount to at least the sum of the RtC, RtM and RtF.

- (a) **Risk to Client** (‘RtC’): RtC is the sum of client assets under management (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH), multiplied by coefficients as outlined in Article 15 of the IFD.
- (b) **Risk to Market** (‘RtM’): The RtM K-factor requirement applies to all trading book positions, which include in particular positions in debt instruments (including securitisation instruments), equity instruments, collective investment undertakings (CIUs), foreign exchange and gold, and commodities (including emission allowances) and comprises of net position risk (K-NPR) and clearing member risk (K-CMG).
- (c) **Risk to Firm** (RtF): As per Article 24 of the IFD, the RTF K-factor requirement is the sum of Trading Counterparty default risk (K-TCD), Daily Trading Flow (K-DTF) and Concentration Risk (K-CON).

Risk to Client

K-AUM: Refers to the Assets under Management under both discretionary portfolio management and non-discretionary advisory arrangements of an ongoing basis. This particular risk is not applicable to the Company as it does not offer such services to its clients.

K-CMH: Client money held – captures the risk of potential for harm where an investment firm holds money for its customers taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money. 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 nonsegregated basis). This risk applies to Crowdbase.

The Company follows the guidelines set in Article 15 and Article 19 of the IFR for the calculation of the K-CMH requirement, under which the own funds requirements for K-CMH is equal to €1,940.

Measures: The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC’s Directive DI87-01 for the Safeguarding of Client Assets, and are classified as “segregated client funds” in accordance with the CySEC regulatory requirements.

K-ASA: Assets safeguarded and administered- 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. For the referenced year, the Company was subject to K-ASA since it acted as custodian for the positions of its clients in real equities.

The Company follows the guidelines set in Article 15 and Article 19 of the IFR for the calculation of the K-ASA requirement, under which the own funds requirements for K-ASA is equal to €194.

Measures: As in the case of k-CMH, the Company takes all necessary measures to safeguard the rights of its clients with respect to these assets by adhering to the requirements of the CySEC Directive DI87-01 for the Safeguarding of Client Assets.

K-COH: Client orders handled – captures the potential risk to clients of an investment firm which executes its orders (in the name of the client, not in the name of the investment firm itself). (Art. 20 – IFR). This risk does not apply to the Company as it does not provide the service of execution of client orders.

Risk to Market

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and the correlations between them. These parameters include but are not limited to exchange rates, interest rates and the price of securities (equity, bonds), commodities, derivatives, and other assets. The Company is not subject to such risks, given the services it offers.

Risk to Firm

The Risk to firm k-factors capture an investment firm’s exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its Trading Book exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF). These risks do not apply to the Company.

The table below shows the Capital Requirements using:

Table 9: K-Factor Requirements

K-Factor Requirements		31 Dec 2022 (€'000)
K-Factor Category		
Risk to client	K-CMH	1,940
	K-ASA	194
Total		2,134

5.5. Capital Adequacy Ratio

of Directive 2013/36/EU, as amended by Directive (EU) 2019/878, that would have applied if the investment firm had continued to be subject to that Regulation, subject to an annual increase in the amount of those requirements of at least EUR 5 000 during the five-year period.

The Capital Adequacy ratio of the Company for the financial year ended 31st December 2022 was calculated at 104% which is above the 100% minimum Pillar I Capital Adequacy Ratio and a capital surplus of 6('000) under the fully-phased calculation, as presented in the table below:

Table 10:
Capital Excess / Ratio

31 Dec 2022 (€'000)	Fully-Phased in	Reference
Capital		
Common Equity Tier	106	
Additional Tier 1	50	
Tier 2	0	
Total Own Funds	156	a
Own Funds Requirement		
K-factor Requirement	2	b
Fixed Overhead Requirement	19	c
Permanent Minimum Capital Requirement	150	d
Minimum Own Funds Requirement	150	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	6	a-e
Capital Ratio	104%	a/e

6. Internal Capital Adequacy and Risk Assessment (“ICARA”)

The IFD introduces the ICARA process as a new requirement for investment firms (Article 24 of IFD), which is similar in some respects to the previous Internal Capital Adequacy Assessment Process (“ICAAP”). The ICARA falls under the scope of Pillar II, which is described as a set of relationships between CySEC and the investment firm. Its objective is to enhance the link between a CIF’s risk profile, its risk management and risk mitigation systems, and effectively its capital. The Company is in the process of preparing its first ICARA, through which it will fully align with the IFR/IFD framework.

7. Remuneration Policy

The Board of Directors approves the Remuneration Policy and is responsible for reviewing it periodically. The Board is ultimately responsible for ensuring the policy remains compliant with the Cyprus Securities and Exchange Commission requirements.

Given the size and nature of its operations, the Company has not set up a Remuneration Committee and instead the responsibilities of the Remuneration Committee are performed by the Board of Directors.

The Company’s Remuneration Policy addresses both the fixed and variable component of remuneration. The fixed component reflects the educational level, experience, accountability, and the role of the individual employee, including responsibility and job complexity, performance, and local market conditions. The fixed component reflects the educational level, experience, accountability, and the role of the individual employee, including responsibility and job complexity, performance, and local market conditions. The main fixed remuneration element is stated on the employment contract. Potential fixed remuneration increases are accommodated during an annual salary review process. Company performance and outlook, as well as market data and employee performance are taken into account in fixed remuneration increase proposals. Furthermore, it is upon the Company’s discretion to award variable remuneration, primarily based on an assessment of the Company’s performance and a number of Key Performance Indicators (KPIs) (e.g. profit before tax, assessment of risk-adjusted return, costs, customer satisfaction, compliance with internal business procedures) reflecting the Company’s strategic key priorities. The variable components of the Company’s remuneration are given in the form of a profit-sharing bonus. It is noted that a bonus is given not only based on the employee’s performance but also based on the performance of the Company as a whole.

Remuneration for 2022

The remuneration of the Board of Directors of the Company and employees whose actions have a material impact on the risk profile of the Company is shown in the following table:

Table 11: Remuneration analysis:

As at 31.12.2022	Number of beneficiaries	Fixed Remuneration (€'000)	Variable remuneration (€'000)	Aggregate Remuneration
Board of Directors	3	6	0	6
Management Team	2	36	0	36
Other employees	2	14	0	14
Total	7	56	0	56