

Pillar 3 Disclosure Requirements – Ballinger Markets Ltd.

Executive Summary

In terms 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 (the 'IFR'), the Company being a Class 2 Investment Firm is required to publicly disclose its capital resources, capital requirements, remuneration policies, and practices and governance standards.

The purpose of Pillar 3 disclosures is to provide information on the risks, capital and risk management arrangements of Ballinger Markets Ltd (the 'Company').

The disclosure of currency is in EUROS and the relevant reference date is 31st December 2023, with the reference period of the audited accounts of the Company being from the 2nd December 2022 to the 31st December 2023. The accounting standards used are that of IFRS. The LEI code of the Company is 2138005PQVSNKBZ2AX62.

Nature of the Business

The Company, with effective authorisation as at 28th February 2023, is licensed by the MFSA as a Class II Investment Services Licence Holder under the Investments Services Act. In line with its license, the Company is permitted to hold and control clients' money and assets.

Within this license, it is authorised to provide the following investment services to Professional Clients (excluding collective investment schemes) and Eligible Counterparties as defined in this Manual :

- Reception and Transmission of Orders (required to route client orders to Ballinger &Co Ltd for execution until such time that the Company is able to onboard with the Liquidity Providers)
- Dealing on Own Account (used for Matched Principal basis and not for trading on a principal basis)
- Execution of Orders on behalf of clients

in relation to the following Financial Instruments (all the financial instruments listed in the Second Schedule of the Act):

4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivative instruments, financial indices or financial measures which may be settled physically or in cash.

9. Rights under a contract for differences or under any other contract the purpose or intended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price for property of any description or in an index or other factor designated for that purpose in the contract.

12. Foreign exchange acquired or held for investment purposes.

The Company is also allowed to cater for the provisions of the following Ancillary Services:

1. safekeeping and administration of financial instruments for the account of clients, including custodianship and relates services such as cash, collateral management and excluding maintain securities accounts at top tier level

4. FX services where these are connected to the provision of investment services

The above ancillary services are allowed to be provided in relation to Professional Clients and Eligible Counterparties.

The Company was allowed to commence business under its license on the 23rd November 2023, with client onboarding taking place in Q1 2024. The Company currently provides such services in relation to spots (non- MIFID financial instruments), forwards, and non-deliverable forwards.

The Company is owned by mainly by Ballinger Group Holdings (Jersey) Limited , a wholly owned subsidiary of Ballinger Group Holdings (UK) Limited.

Regulatory Framework

The Investment Firm Regulation EU 2019/2033 (“IFR”) and Investment Firm Directive EU 2019/2034 (‘IFD’), together referred to as the IFD Regime, establishes a prudential regime for investment firms including the requirement to publish specific public disclosures relating to the Company’s capital, risk exposures, risk assessments, own fund requirements and governance requirements. These disclosures allow market participants to assess the Company’s key prudential information.

In line with the IFD Regime, the Company is categorised as a Class 2 firm, with Class 1 firms carrying out risk profiles similar to significant credit institutions and hence falling entirely under the Capital Requirements Regulation, given that it falls over and above on of the following thresholds that are otherwise met by a Class 3 firm:

	Capital Instruments Main Feature	Thresholds
1.	Assets under management	< EUR1.2 billion
2.	Client orders handled – cash trades	<EUR100 million per day
3.	Client orders handled – derivative trades	<EUR1 billion per day
4.	Assets safeguarded and administered	Zero
5.	Client money held	Zero
6.	On- and off- balance sheet total	<EUR100 million

7.	Total annual gross revenue from investment services and activities	<EUR30 million
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As a Class 2, the Company shall at all times have own funds (consisting of the sum of Common Equity Tier 1, additional Tier 1 and additional Tier 2, subject to certain conditions) which amount at least to the highest of the following:

- The fixed overheads requirement (calculated as one quarter of the previous year fixed expenses based on the most recent audited figures and when not based on the projections)
- The permanent minimum requirement (EUR 750,000 given it has the permission to provide investment services of 'dealing on own account')
- The K-factor requirement (K-factor requirements are quantitative capital requirements calculations for various risks as defined in the IFR/D covering risk-to-client, risk-to-market and risk-to-firm). Currently, the Company calculates a total K-factor requirement from various K-factors including the following:
 - K-TCD – trading counterparty default
 - K – DTF – daily trading flow
 - K -CON – concentration risk requirement
 - K – COH – client orders handled
 - K – NPR – net position risk
 - K- CMH – client money held

The above complies with the following three pillar approach:

- Pillar I requirements include minimum regulatory capital, liquidity buffer and concentration risk limits.
- Pillar II capital add-ons based on ICARA primarily
- Pillar III –disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy.

Details of the Pillar 3 disclosure requirements review, approval and verification by the Company

Given that the Company is not considered to be a small and non-interconnected, it is to publicly disclose its levels of own fund, own funds requirements, governance arrangements and remuneration policies and practices. Such public disclosure, termed as Pillar 3 disclosures, on the same day as the publishing of the annual financial statements, that is by end April of each

calendar year. It is up to the Company to determine the appropriate medium and location to comply with such public disclosure requirements, however, where possible the Company is to issue such disclosure in one medium. Should more than one media be in use, a reference is to be made to the synonymous information in other media and is to be included within each medium. The Company has decided to issue such Pillar 3 disclosures on its website.

The Company is to ensure that it includes Part Six of the IFR in its Pillar 3 public disclosures by end of April of each calendar year. Should a material change in the approach used for the calculation of capital, business structure or regulatory requirement take place during the year, this Pillar 3 disclosure shall be revised and re-published again by the Company on its website.

The Pillar 3 disclosures are subject to a detailed internal review by the second line of defence and also reviewed and approved by the Board of Directors.

Risk Management Objectives and Policies

The Company has established, implemented, and maintains adequate risk management policies and procedures, which identify, measure and provide for the proper reporting of all material risks that the Company may face. These policies set a generally conservative level of risk tolerated by the Board of Directors and adopt effective arrangements, processes and mechanisms to manage the risks relating to Company's activities, processes and systems, in the light of that level of risk tolerance.

In terms of Article 46 of the IFR, the Company is required to disclose information about the following risks:

- a) Risks relating to capital requirements, including own funds requirements, fixed overhead requirements, minimum capital requirements, risk-to-client factors, risk-to-market factors and risk to-firm factors – such risks are actively managed and monitored by means of a risk and compliance policies and procedures aimed at ensuring that the Company is within its regulatory capital requirements at all times. The Company has also in place a warning mechanism to ensure that such Pillar 1 regulatory requirements are abided with all times and also to ensure that the Company has adequate cushioning over and above the minimum requirements at all times;
- b) Concentration risk – this risk is managed and monitored by means of risk and compliance policies and procedures , risk registers and also K -factor metrics, all aimed at ensuring that the Company is within regulatory concentration thresholds at all times; and
- c) Liquidity risk – this risk is managed by maintaining sufficient liquid assets as per IFD Regime.

In addition, all the above risks are managed through the continued daily involvement of the CEO of the Company, also an executive director of the Company, supported by the Risk Officer, Compliance Officer and the Internal Audit Function. Reports are issued to the Board of Directors

a least on a quarterly basis, with material risks escalated immediately at Board of Directors level for immediate actioning. Risks identified are overseen by senior management and the Board of Directors to ensure that such controls are in place to mitigate identified risks within a residual risk level that is within the Company's risk appetite. The Company also has set up an Internal Capital Adequacy and Risk Assessment Process (ICARA), which is performed and reviewed at least on an annual basis, with the ICARA submitted to the MFSA on an annual basis. The ICARA makes up Pillar 2 prudential requirements within the IFD Regime aiming to identify and assess the risks it is exposed to with the aim of ensuring that the level of capital maintained is sufficient to combat these risks.

The Company has adopted industry best practice for risk management through implementation of the three lines of defence model.

Business Strategy and Risk Appetite

The Company's strategy for 2024 is to continue growing its diverse portfolio of clients whilst ensuring compliance with applicable laws and regulations and maintaining high levels of customer satisfaction.

The Company seeks to maintain a prudent and consistent approach to risk, helping to ensure that it protects its customers' funds and delivers services of good quality and on time. By carefully aligning the Company's risk appetite to its strategy, the Company aims to deliver sustainable long-term shareholder returns.

While the Company has no risk appetite when it comes to anti-money laundering and regulatory compliance risks, that Company defines its risk appetite as prudent.

Risk Culture

By embedding sound risk culture, every director and employee maintains a high level of sensitivity and knowledge regarding risk and endeavours to make correct decisions and take appropriate actions. This enables us to achieve our risk appetite and strategies and maintain and improve our corporate value.

The risk management function and the compliance function constitute the second line of defence within Ballinger Markets' governance structure, complementing the internal audit function's oversight. The Risk Management Function plays a pivotal role in facilitating, coordinating, and monitoring the implementation of the Risk Management Framework across the organization. This involves identifying, assessing, and managing risks inherent in the business operations, including market risk, credit risk, operational risk, and compliance risk. Through the development of risk management policies, procedures, and controls, the Risk Management Function aims to mitigate risks and ensure alignment with regulatory requirements and internal risk appetite.

Governance

Corporate governance principles shall guide the Company. These principles foster an environment of trust, transparency, and accountability necessary for long-term investment, financial stability and business integrity.

The following are the Company's governance principles:

- **Accountability:** Accountable to the Company's stakeholders, including investors, employees, customers, and regulators, for their actions and performance.
- **Transparency:** Transparent in the Company's operations and decision-making processes, including financial reporting, disclosure of material information, and communication with stakeholders.
- **Fairness:** The Company shall treat all stakeholders fairly and impartially without favouritism or discrimination.
- **Responsibility:** The Company shall operate responsibly and sustainably, considering its impact on society and the environment.
- **Independence:** The board of directors shall be independent and free from conflicts of interest, with diverse skills and expertise.
- **Integrity:** The Company shall operate with integrity and ethical behaviour, with a code of conduct for employees and mechanisms to report unethical behaviour.
- **Risk Management:** The Company shall have a robust risk management framework in place, including the identification, measurement, monitoring, and mitigation of risks.
- **Performance Monitoring:** The Company shall monitor their performance against established goals and objectives, with appropriate measures in place to assess and report on their performance.
- **Continuous Improvement:** The Company shall continuously evaluate and improve its governance framework, including policies, processes, and practices, by overseeing and monitoring.
- **Legal and Regulatory Compliance:** The Company shall commit to follow its legal obligations and disclose to the MFSA or any other relevant regulatory authority any information the authority would reasonably expect to be informed of.

i) Board of Directors

Board Members, Board Committees and key function holders should, in any event, be of sufficiently good repute and have honesty and integrity, and all members of the management body should have independence of mind regardless of the duties and responsibilities of the specific position, including memberships held in committees of the management body.

The Board is to be composed of persons who, as a group, have the required diversity of knowledge, judgment and experience to complete their tasks in an appropriate and professional manner.

The Company adheres with the MFSA's Corporate Governance Code issued on the 5th August 2022.

the Company's Board of Directors is composed of the following individuals:

Dr Jamesd DeBono- CEO and Executive Director

Mr Owen Bugeja – Impendent Non Executive Director;

Mr Tom Dudderidge – Executive Director ;

Mr John Muscat – Independent Non-Executive Director and Chairperson of the Board of Directors

The Board of Directors aims to be composed of persons who, as a group, have the required diversity of knowledge, judgment and experience to complete their tasks in an appropriate and professional manner. The Board of Directors acknowledges its intention to establish and follow “best practices” in Board governance in order to fulfil its fiduciary obligation to the Company. Fundamental to sound governance is the practice of undertaking a Board evaluation on an annual basis.

Accordingly, prior to accepting any such appointment, the Company performs its due diligence assessment on the proposed appointment of a Board of Director/key function holder/ committee member with regards to:

- Knowledge, skills and experience;
- Reputation – including possibilities of proposed Directors/Committee members having pending legal proceedings, a criminal record, or any kind of administrative or tax irregularities, including any adverse media findings;
- Conflict of Interest - covering the potential possibility of the proposed Director/Committee Member to be able to act free of external influences when making decisions or might personal interest cloud his objective decision-making and to enable the individual to have independence of mind to be able to effectively assess, challenge, oversee and monitor management decision making. This is particularly important for independent non-executive Board Members;

- Time Commitment – sufficient time to be cover all the necessary subjects in depth, and in particular the management of the main risks and also to undertake the necessary training and attend to meetings;
- Collective suitability of the Board of Directors/Committee, as applicable - evaluating a particular candidate for the Board/Committee as a whole and how does the individual fit in with his knowledge, skills, and experience;
- Diversity - diverse perspectives and opinions of the members of the Board/Committee are taken into account in terms of enriched decision making process.

Number of Directorships held by members of the Board

All members of the Board of Directors are required to commit sufficient time to perform their functions in the Company and the Company through its ongoing fit and proper assessment, ensures that the number of directorships which may be held by a member of the Board at the same time shall take into account individual circumstances and the nature, scale and complexity of the Company’s activities.

In line with Article 48 of IFR to disclose information regarding internal governance arrangements, the Company can confirm that the members of the management body held the following directorships:

Director	Function	Number of Executive Directorships	Number of Non-Executive Directorships
Dr James DeBono	Executive	2 , all within same group	-
John Muscat	Non-Executive	2, all within same group	-
Thomas mark Dudderidge	Executive	4, within same group	-
Owen Bugeja	Non-Executive	1	-

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

BOARD OF DIRECTORS (quarterly board meetings)

- Mr Tom Dudderidge
- Dr James Dimech Debono
- Mr John Muscat
- Mr Owen Bugeja

SENIOR MANAGEMENT MEMEBRS (AD HOC MEETINGS)

- Chief Executive Officer - Dr James Dimech Debono
- Head of Compliance – Ms Romina Lauri
- Money Laundering Reporting Officer – Mr Daniel Smith (pending PQ approval)

- Risk Manager – Mr Juan Pace (pending PQ approval)

COMPLIANCE AND RISK COMMITTEE (quarterly committee meetings)

- Chairperson - Mr John Muscat
- Chief Executive Officer - Dr James Dimech Debono
- Head of Compliance – Ms Romina Lauri
- Risk Manager – Mr Juan Pace
- Group Risk and Compliance Officer- Mr Daniel Smith

OWN FUNDS

The Company is required to disclose the following information regarding its own funds, in accordance with the IFR:

(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firm and the balance sheet in the audited financial statements of the investment firm;

Following the completion of the Company’s financial audit for the year ending 31st December 2023, the Company’s total regulatory capital resources stood at EUR 797,970 compared to own funds requirement of EUR 750,000, a capital surplus of 6%.

i. Composition of Own funds

As at 31 December 2022, the Company’s own funds amounted to €797, 970 and consisted of:

- fully paid up capital instruments of €250,001
- share premium of €499,999
- capital contribution reserve of €200,000 and
- accumulated losses of €152,030.

Note: The Company’s losses reflected the running expenses of the Company with no investment activities being undertaken during 2023. The Company however, as from Q1 2024, was active in providing investment service activities.

The disclosure of own funds is being presented in the following prescribed regulatory templates:

Template EU IF CC1.01 – Composition of regulatory own funds

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	797,970.00	
2	TIER 1 CAPITAL	797,970.00	
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up capital instruments	250,001.00	Note 9
5	Share premium	499,999.00	

6	Retained earnings	- 152,030.00	
7	Accumulated other comprehensive income		
8	Other reserves	200,000.00	Note 10
28	ADDITIONAL TIER 1 CAPITAL		
40	TIER 2 CAPITAL		

Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	c
		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements			
1	Current Assets	948,727.00	
2	Total Assets	948,727.00	
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements			
1	Current Liabilities	150,757.00	
2	Total Liabilities	150,757.00	
Shareholders' Equity			
1	Share capital	250,001.00	Note 4
2	Share premium	499,999.00	Note 5
3	Capital Contribution reserve	200,000.00	Note 8
4	Accumulated losses	-	Note 6
5	Total Shareholders' equity	152,030.00	
		797,970.00	

(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the investment firm;

During the year 2023, the Company did not issue any instruments.

(c) a description of all restrictions applied to the calculation of own funds in accordance with the IFR and the instruments and deductions to which those restrictions apply.

No restrictions were applied to the calculation of the Company's own funds as at 31 December 2023.

Own Funds Requirements

The Company assesses the adequacy of its internal capital to support current and future activities on an ongoing basis by means of periodic management reports and regulatory updates being considered and discussed by the Board. As at 31 December 2023, the Company's K-Factor requirement, calculated in accordance with Article 15 of the IFR, amounted to zero, and the Company's fixed overheads requirement, determined in accordance with Article 13 of the IFR, amounted to €372,356.

Remuneration policy and practices

The Company's remuneration policy (Remuneration Policy), which is reviewed by the Board on a yearly basis, provides for a gender-neutral remuneration approach and does not allow for investment distribution performance-related remuneration to its employees.

The Remuneration Policy aims to ensure that remuneration practices, including, for categories of staff whose professional activities may have a material impact on the risk profile of the Company ("Identified Staff") are consistent with the Company's strategy and risk appetite. Whilst the Company does not pay investment distribution performance-related remuneration, the Company may pay variable remuneration by while ensuring that it does not exceed 100% of any fixed component of remuneration, which variable remuneration is based on quantitative and qualitative criteria to include specific job description as well as EBITDA, capital and liquidity and strategy and risk management. The variable remuneration for 2022 was €32,700. The following refers to the aggregated quantitative information on remuneration for the senior management and members of staff whose actions have a material impact on the risk profile ("Identified Staff"):