

# **MIFIDPRU 8 Public Disclosure**

**Entity:** B2C2 OTC Ltd

**For the Performance Year Ended:** 31 March 2025

## **1. Introduction & Scope**

B2C2 OTC Ltd (the "Firm") is an investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). Under the Investment Firms Prudential Regime (IFPR), the Firm is classified as a **Non-SNI investment firm**.

This disclosure is prepared on an individual (solo) basis in accordance with the requirements of MIFIDPRU 8. The Firm operates as a subsidiary within the wider B2C2 Group and utilizes group-wide infrastructure and resources to support its activities. The information provided is proportionate to the size and internal organization of the Firm, as well as the nature, scope, and complexity of its activities.

The purpose of this document is to allow stakeholders to assess the Firm's financial strength and provide insight into its culture regarding risk management, governance, and remuneration processes. These disclosures have been internally verified but are not subject to external audit.

## **2. Governance Arrangements**

### **2.1 Overview of Board and Committees**

The B2C2 OTC Ltd Board of Directors (the "Board") are ultimately responsible for the Firm's system of governance, internal controls, and risk management framework. It sets the Firm's strategic objectives and risk appetite, ensuring that the necessary financial and human resources are in place for the Firm to meet its objectives. The Board exercises direct oversight of all functions outsourced to B2C2 Ltd under formal intra-group service level agreements to ensure they align with the Firm's regulatory obligations. The Board meets at least quarterly to review the Firm's risk profile, capital adequacy, and operational performance. The Firm is required by MIFIDPRU 7.3.1R to establish a risk committee. Please see details of the Management Risk Committee below.

The Board delegate authority to various committees:

- Executive Committee ("ExCo"): The ExCo, in addition to the B2C2 Ltd Board, has delegated authority to review and monitor the execution of the strategy of B2C2 OTC Ltd, against the agreed internal risk appetite.
- Management Risk Committee ("MRC"): The MRC is a management level committee that reports directly into the ExCo. It is responsible for advising and assisting the ExCo and the Board, as they fulfil their oversight responsibility regarding risk appetite relating to financial risks (e.g. market, credit, treasury) and certain non-financial risks, (e.g. operational, systems and controls, reputational risk).

- Legal, Compliance and Conduct Committee (“LCC”): the LCC is a management level committee that reports directly to the ExCo. It is responsible for advising and assisting the ExCo and the Board, as they fulfil their oversight responsibility regarding historic, current and future risks related to regulatory risk, financial crime risk, privacy risk, people risk, legal risk, conduct risk and associated reputational risk.

## 2.2 Promoting Diversity

B2C2 OTC Ltd is committed to fostering a diverse culture. The Board recognizes that a diverse management body, supported by the wider B2C2 leadership team—incorporating a range of skills, experiences, and backgrounds—leads to better decision-making and business performance.

The Firm formally adopts the B2C2 Group Diversity, Merit and Equality Policy. This policy outlines our approach to merit, fairness, and equality of opportunity, ensuring a culture that values competence and capability while prohibiting unlawful discrimination.

In accordance with MIFIDPRU 8.3.1(4), the Firm’s objective is to ensure that diversity is a core consideration in the selection and appointment of members to the Board. While the Firm does not currently set specific numerical targets for Board composition due to its size, we aim to maintain a diverse candidate pool by leveraging the broader Group’s talent and recruitment frameworks. The Board remains committed to monitoring the evolution of its gender and background split as part of its periodic governance reviews.

## 2.3 Management Body Directorships

In accordance with MIFIDPRU 8.1.1R, the following table lists the number of external executive and non-executive directorships held by members of the Board. This excludes directorships in organizations which do not pursue predominantly commercial objectives and those held within the same group.

Name	Executive Directorships	Non-Executive Directorships
Thomas Restout	2	0
Massimo Di Placido	2	0

## 3. Risk Management Objectives & Policies

### 3.1 Risk Management Framework

The Firm operates a three line model of defence, as outlined in its Enterprise Risk Management Framework (“ERMF”), which is key to the successful achievement of its strategic objectives. The ERMF is aligned with the wider B2C2 Group risk culture, providing a consistent set of policies, processes, procedures and technologies that enable the Firm to identify, assess, manage, monitor, control and report risk within the business.

The ERMF ensures that risk exposure facing the Firm is identified, monitored, limited, reported and escalated appropriately so that the Firm can achieve, within its defined risk appetite, its strategic objectives. While the Firm leverages Group-wide risk infrastructure, the Board of B2C2 OTC Ltd retains ultimate responsibility for the Firm's risk profile.

(a) **1st Line of Defence ("1st LoD")**

The Firm's first line of defence, business management, owns the risk and is accountable for maintaining effective processes and systems to manage them in compliance with the Firm's risk appetite. This includes the oversight of trading and operational activities hedged or supported by B2C2 Ltd.

(b) **2nd Line of Defence ("2nd LoD")**

The Firm's second line of defence, the control functions, which includes the Risk and Compliance functions, is separate from the business and reports directly to the CEO, and/or the Board. These functions are supported by Group-level resources to provide independent oversight and challenge of the financial and non-financial risks arising from the Firm's business activities.

(c) **3rd Line of Defence ("3rd LoD")**

The Internal Audit function is the third line of defence and it comprises independent assurance. This function, which may be performed at a Group level, assesses the design and operating effectiveness and sustainability of processes to define risk appetite, governance, risk management, internal controls, remediation activities and processes to comply with legal and regulatory requirements and internal governance standards. It also provides senior management and the board with independent assurance of the design and operating effectiveness of the organisation's risk management activities and governance.

## **3.2 ICARA Process & Assessment of Harm**

The Firm's Internal Capital and Risk Assessment (ICARA) evaluates the adequacy of its own funds and liquid assets against the potential impact of operational failures, credit and collateral events, market shifts, client activity shifts, and the orderly wind-down of the business. These factors align to the FCA's harm framework (harm to clients, markets and the Firm) and are assessed through the Firm's risk management, control and governance processes.

Key controls include real-time risk supervision, credit and collateral frameworks, reconciliations, operational controls, and Board oversight through the ICARA process.

The latest ICARA concluded that residual risks are adequately mitigated through the Firm's capital, liquidity and operational control environment, and that existing own funds requirements remain

appropriate. The Firm maintains an actionable wind-down plan supported by sufficient liquidity resources.

### **3.3 Risk Appetite Statement**

The Board has established a formal Risk Appetite Statement (RAS) that defines the level of risk the Firm is willing to accept to achieve its business objectives. This statement is reviewed at least annually to ensure alignment with the Firm's evolving business model as an OTC principal counterparty.

The RAS is an integral component to the risk management framework. It sets out the key risks to the firm and the level of risk that B2C2 OTC is willing to accept in the pursuit of its strategic objectives.

The RAS demonstrates the link between the risk management framework and the business strategy. It provides the risk parameters guiding the operations of B2C2 OTC. The RAS clearly outlines the main considerations in the Firm's risk-taking, risk mitigation and risk avoidance and addresses the most significant risks to which the Firm is exposed.

The RAS is approved periodically by the B2C2 OTC Ltd.'s Board of Directors. The Board monitors the Firm's adherence to the RAS and makes necessary changes to capture changes in the Firm's strategic priorities, operating environment, and risk profile. Any amendments to the RAS must be approved by the B2C2 OTC Ltd Board.

### **3.4 Management of Key Risk Categories**

In accordance with MIFIDPRU 8.2.1R, the Firm manages the following categories of risk:

- **Market Risk (K-NPR):** The Firm deals as a principal counterparty and manages price risk by utilizing its parent, B2C2 Ltd, as its primary hedging venue. While market risk is transferred via this arrangement, the Firm maintains continuous oversight of its market-facing positions and the performance of the intercompany hedge to ensure alignment with the Board's risk appetite.
- **Concentration Risk (K-CON):** The Firm monitors and manages concentration risk in accordance with MIFIDPRU 5. Potential concentration risk is primarily mitigated through the Firm's back-to-back hedging arrangement with B2C2 Ltd. The Firm performs regular monitoring of both client-side and intercompany exposures to ensure they remain within the limits defined in the Risk Appetite Statement.
- **Counterparty Credit Risk (K-TCD):** The Firm maintains direct credit exposure to its clients, supported by the Group's centralized credit monitoring systems and governed by a formal Service Level Agreement (SLA) with the B2C2 Group. Credit risk is managed through a combination of verification procedures and collateral management.
- **Business & Operational Risk:** The Firm operates under a Cost Plus transfer pricing methodology with B2C2 Ltd, ensuring operational expenses are covered and the Firm remains adequately capitalized. Operational integrity is achieved by leveraging the Parent's robust IT infrastructure and automated execution systems, supported by the Firm's local internal control framework.
- **Liquidity Risk:** The Firm manages its liquidity risk by maintaining a buffer of high-quality liquid assets sufficient to meet its Basic Liquid Assets Requirement (BLAR) under MIFIDPRU

6. Under the Firm's "Cost Plus" transfer pricing agreement, operational liquidity is further supported by the B2C2 Group, ensuring the Firm can meet its liabilities as they fall due under both normal and stressed conditions.

## 4. Own Funds

### 4.1 Composition of Regulatory Own Funds (Annex 1R)

The table below provides a full reconciliation of the Firm's regulatory capital to its audited financial statements. The Firm's regulatory capital is comprised entirely of Common Equity Tier 1 (CET1) capital.

Item	Amount (£'000)	Source based on audited balance sheet
<b>1. OWN FUNDS</b>	<b>6,050</b>	N/A
<b>2. TIER 1 CAPITAL</b>	<b>6,050</b>	N/A
<b>3. COMMON EQUITY TIER 1 CAPITAL</b>	<b>6,050</b>	N/A
4. Fully paid up capital instruments	2,700	Note 12: Ordinary Share Capital
5. Share premium	0	N/A
6. Retained Earnings	3,427	Profit and loss reserves
<b>11. (-) TOTAL DEDUCTIONS FROM CET1</b>	<b>(77)</b>	Net adjustments and other CET1 deductions

*Note: Figures are converted from the USD reporting currency at the period-end rate of 1.29194.*

## 4.2 Balance Sheet Reconciliation (Annex 1R)

This table bridges the audited balance sheet to the regulatory scope of consolidation.

Item	Audited Balance Sheet (£'000)	Regulatory Scope (£'000)	Cross-reference to Own Funds Table
<b>Assets</b>			
Inventories (Digital Assets)	77,629	77,718	N/A
Debtors	2,528	0	N/A
Cash at bank and in hand	1,359	1,359	N/A
<b>Total Assets</b>	<b>81,516</b>	<b>79,077</b>	<b>N/A</b>
<b>Liabilities</b>			
Creditors: within one year	75,389	72,7911	N/A
Other Liabilities	N/A	236	
<b>Total Liabilities</b>	<b>75,389</b>	<b>73,027</b>	<b>N/A</b>
<b>Shareholders' Equity</b>			
Paid-up capital instruments	2,700	2,702	Item 1
Retained earnings	3,427	3,348	Item 6
<b>Total Shareholders' Equity</b>	<b>6,127</b>	<b>6,050</b>	<b>N/A</b>

*Note: Figures are converted from the USD reporting currency at the period-end rate of 1.29194.*

**Reconciliation Note:** Column A reflects the audited financial statements (£6,127k) and Column B reflects the FSA029 regulatory filing (£6,050k). Both columns have been translated from USD at the period-end exchange rate of 1.29194. The £77k difference relates to post-submission audit adjustments and timing variances between the regulatory filing and the finalisation of the audited accounts. For regulatory purposes, digital asset inventories are classified within trade debtors.

## 4.3 Main Features of Own Instruments (Annex 1R Page 3)

The Firm's capital consists of **3,487,884 Ordinary Shares** of \$1 each, fully paid and issued. These instruments are perpetual, carry no rights to fixed income, and each share is entitled to one vote.

They meet the conditions for classification as CET1 capital under the Investment Firms Prudential Regime (IFPR).

## 5. Own Funds Requirements

### 5.1 Regulatory Requirement

As a Non-SNI firm, B2C2 OTC Ltd must maintain own funds at least equal to the highest of its Permanent Minimum Requirement (PMR), Fixed Overhead Requirement (FOR), or total K-factor requirement.

Requirement Category	Amount (£'000)
Permanent Minimum Requirement (PMR)	750
Fixed Overhead Requirement (FOR)	12
Total K-factor Requirement (Sum of K-NPR + K-TCD)	2,679
<b>Total Own Funds Requirement</b>	<b>2,679</b>

*Note: Figures are converted from the USD reporting currency at the period-end rate of 1.29194.*

## 6. Remuneration Policy and Practices

### 6.1 Remuneration Governance

The Board of Directors (the "Board") is responsible for the oversight and implementation of the Firm's remuneration policies. Given the Firm's size and internal organization, B2C2 OTC Ltd does not maintain a separate Remuneration Committee; instead, these duties are performed by the Board in conjunction with Group HR. The policy is reviewed at least annually to ensure it promotes sound risk management and does not encourage excessive risk-taking.

### 6.2 Approach to Remuneration

The Firm adopts a B2C2 Group Remuneration Policy, which applies to the Entity and to all other group entities. The policy is designed to align the interests of staff with the long-term interests of the Firm, its shareholders, and its clients, as well as to ensure sound and effective risk management.

- **Employment Model:** B2C2 OTC Ltd has **no direct employees, but receives seconded dedicated support from B2C2 Ltd for certain services.** All operational and management services, including the services of the Board, are provided by other entities within the B2C2 Group via a service-level agreement.

- **Anti-discriminatory remuneration policies and practices:** Under the provisions of the Remuneration Policy, remuneration of employees is not biased and does not discriminate against employees in any form. The remuneration policy is gender-neutral; this means that it is based on equity and equality irrespective of employee gender or identification.
- **Fixed vs. Variable Remuneration:** Fixed remuneration reflects an individual's professional experience and organizational responsibility. Variable remuneration is discretionary and is based on the performance of the Firm, the team and the individual.

### 6.3 Material Risk Takers (MRTs)

The Firm has identified its Material Risk Takers in accordance with **SYSC 19G**. These individuals are those whose professional activities have a material impact on the risk profile of B2C2 OTC Ltd.

- **Risk Adjustment:** While MRTs are remunerated by the wider Group, their performance is assessed against the risk profile and compliance requirements of B2C2 OTC Ltd.
- **Malus and Clawback:** All variable remuneration for MRTs is subject to "ex-post" risk adjustments, including malus and clawback provisions, which allow the Firm to reduce or recover awards in cases of misconduct or material risk failures.

### 6.4 Quantitative Disclosure

In accordance with **MIFIDPRU 8.6.8R**, the following table provides the total remuneration awarded to staff for the performance year ended 31 March 2025.

Category	Number of Staff	Total Fixed Pay (£)	Total Variable Pay (£)
Senior Management	0	£0	£0
Other MRTs	0	£0	£0
Other Staff	0	£0	£0

*Note: As B2C2 OTC Ltd does not directly employ or remunerate staff, all figures are reported as £0 to reflect the legal entity's direct expenditure. Staff are remunerated by the parent entity, B2C2 Ltd.*