CRYPTO FINANCE
DEUTSCHE BÖRSE GROUP

CRYPTO FINANCE GROUP

REGULATORY DISCLOSURE REQUIREMENTS 2023 ANNUAL REPORT

31 December 2023

FINMA Circular 2016/1 Tables and Regulatory Reporting

KM1: Regulatory key figures

	in 1'000 CHF	31.12.2023	31.12.2022
	Eligible equity		
1	Common equity capital (CET1)	43'879	64'305
2	Tier 1 capital (T1)	43'879	64'305
3	Total capital	43'879	64'305
	Risk-weighted positions (RWA)		
4	RWA	132'876	121'210
4a	Minimum own funds	10'630	9'697
	Risk-based capital ratio (% of RWA)		
5	CET ratio	33.02%	53.05%
6	Tier 1 capital ratio	33.02%	53.05%
7	Total capital ratio	33.02%	53.05%
	CET1 buffer requirement (% of RWA)		
8	Own funds buffer under Basel minimum standards (25% from 2019)	2.50%	2.50%
9	Anti-cyclical buffer (art. 44a ERV) under Basel minimum standards	0.00%	0.00%
10	Additional equity buffer of international or national system relevance	0.00%	0.00%
11	Total buffer requirements under Basel minimum standards in CET1 quality	2.50%	2.50%
12	Available CET1 to cover buffer requirements under Basel minimum standards (after deduction of CET1 to cover minimum requirements and where applicable to cover TLAC requirements)	25.02%	45.05%
	Target capital ratios under Appendix 8 ERV (% of RWA)		
12a	Own funds under Appendix 8nERV	2.50%	2.50%
12b	Anti-cyclical buffer (Art. 44 and 44a ERV)	0.00%	0.00%
12c	Target CET1 ratio under Appendix 8 ERV plus-cyclical buffer under Art. 44 and 44a ERV	7.00%	7.00%
12d	Target T1 ratio under Appendix 8 ERV plus anti-cyclical buffer under Art. 44 and 44a ERV	8.50%	8.50%
12e	Target total capital ratio under Appendix 8 ERV plus anti-cyclical buffer under Art. 44 and 44a ERV	10.50%	10.50%

Notes on Risk Management

Risk assessment
The Board of Directors continually assess the primary risks to which the Group is exposed. Our independent risk management function regularly monitors internal and external risks and presents a risk report to the Board of Directors, which outlines potential risks and their financial impact, as well as advising on actions to measure, manage and limit these risks. The Board of Directors did not identify any further risks in the financial year which might necessitate a major revision of the financial position and profit or loss as presented in the annual financial statements. Please read the following statements for more information regarding risk management.

Risk management
The risks related to the firm's activities are systematically monitored, recorded, and managed based on uniform guidelines and standards, which are periodically reassessed for appropriateness. The Group complies with the guidelines and standards stipulated by the Swiss Financial Market Supervisory Authority, FINMA. The Group's executive bodies are regularly notified about the development of the Group's financial position. The Board of Directors have opted not to set up an Audit Committee, since the size criteria stipulated in FINMA circular 2017/1 does not apply to Crypto Finance Group. This task is performed by the Board of Directors.

Key types of risk for the company
As the Group's core line of business is brokerage and safekeeping services, the Group is primarily exposed to market liquidity and credit risks, which it manages via risk limits. Additionally operational risks may arise due to the nature of the business.

Market risk: risk of incurring losses from adverse changes in market value of traded and non-traded investments, and foreign currency exposures. As part of the Group's business model, the business holds crypto assets to enable fast and efficient settlement, which therefore exposes the company to market risk in relation to both crypto currencies and fiat exposures, as most revenues are denominated in USD. Market risk is hedged using swaps and futures whenever possible, within stipulated market risk limits.

Credit risk: the Company transfers assets to counterparties during the normal course of its business operations. These assets may only be partially recoverable or not at all in the case of a default of a counterparty. An example are tokens that need to be moved to crypto exchanges or counterparties to facilitate efficient client settlement. If an exchange or counterparty is hacked and goes bankrupt, a loss based on credit risk would arise. To limit our credit risk, the Board of Directors has set credit risk limits where exposures may not exceed a certain threshold.

Liquidity risk: the Group's liquid assets are predominantly comprised of fiat and tokens. Additionally, it has credit lines at exchanges, OTC desks and banks. Counterparties typically require the Group to fund credit lines with collateral in the form of tokens or fiat amounting to 5-10% of the credit line. Liquidity risk refers to the costs associated to financing these liquidity obligations and the risk of not being able to meet financial obligations.

Operational risk: pursuant to article 89 of the Capital Adequacy Ordinance (ERV), operational risks are defined as the “danger of losses resulting from the inadequacy or failure of internal procedures, individuals or systems, or from external events”. The definition also covers legal risks, including fines from regulatory authorities and settlements. The Board of Directors has defined and regularly reviews a framework for the management of operational risks, in particular the determination of risk appetite and risk tolerance utilizing various risk metrics and risk indicators. As part of the annual risk report, Risk Control presents the Board of Directors with those operational risks that are particularly critical using the principles outlined by FINMA and proposed measures taken to limit the risk are outlined. From a capital adequacy perspective, the Group uses the basic indicator approach to calculate operational risk.

Compliance and legal risk: Management and Compliance ensure that the firm’s business activities are carried out in accordance with applicable regulations and due diligence requirements of a financial intermediary. They are responsible for compliance with FINMA requirements, legislature, and other supervisory organizations, ensuring that internal policies are amended in accordance with evolving directives and regulations. The Group’s Legal department addresses the firm’s legal issues, in particular managing inherent risks in cross-border transactions using appropriate measures.

Outsourcing: the firm outsources various functions to external service providers. The Group manages the safekeeping of crypto assets, and corporate functions like HR, Marketing, Accounting and IT. Internal audit activities are outsourced to SWA Swiss Auditors.