



IFR Disclosures

For Freetrade Europa ("Freetrade") [Org-nr: 559285-0696]

Financial data as at: 30 September 2022

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1. Introduction

This disclosure for Freetrade Europa AB (Freetrade, the Company, the Firm) is prepared in accordance with Article 46 of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms (the Investment Firm Regulation or IFR).

IFR disclosures will be made annually in conjunction with the publication of the annual financial statements of the Company. The disclosures are made available on the Company's website at <https://se.freetrade.io>

These disclosures and the information contained herein have not been audited by the Company's external auditors. These disclosures do not constitute financial statements and should not be relied upon when making any judgement about the Company.

2. Freetrade overview

Freetrade is an app-based stockbroker that offers investing in shares. There is no minimum account balance or commissions, and users can select from a transparent menu of services which cater to both those new to investing and the more experienced.

Freetrade has been authorised and regulated in Sweden by the Swedish Financial Services Authority (the SFSA, Sw: *Finansinspektionen*) since February 2022 and began providing regulated services to external customers in November 2022. Freetrade is licensed to perform the following activities:

- Reception and transmission of orders in respect of one or more financial instruments
- Execution of orders on behalf of clients
- Holding in custody financial instruments on behalf of clients and accept funds subject to a reporting obligation, however not providing or operating a securities account on the highest level
- Foreign exchange services where these are connected to the provision of investment services.

3. Governance

3.1 Governance model

Freetrade has in place robust governance arrangements, which includes a clear organisational structure, clearly defined responsibilities, effective processes to identify, manage, monitor and report on risk, and internal control mechanisms.

Freetrade's senior governance framework is well established and comprises its Board, formal committees and operational working groups. This governance framework is reviewed periodically to ensure that it remains adequate and appropriate for the business.

The Board of Directors has overall responsibility for the business. It reviews and approves the firm's strategy and approves risk appetite; policies and procedures; and any delegation of functions internally or externally. The Board of Directors also monitors the risk management profile, capital and liquidity positions. The Board meets on an at least quarterly basis and receives reporting and escalation from the Executive Risk & Compliance Committee (RCC) of the Freetrade group. No separate risk committee has been set up by the Company.

The Board has ultimate responsibility for Freetrade's risk management, risk strategy and determining an appropriate risk appetite as well as setting the tolerance levels within which Freetrade must operate. It is responsible for the key elements of the Enterprise Risk Management Framework, including the approval of the ICARA document and the Risk Appetite Statement. More detailed matters including detailed oversight of risk and compliance related matters is dealt with by the Group's Risk and Compliance Committee (RCC) with reporting back to the Board.

3.2 Board composition

The aim of the Company is that in the selection of members, the Board as a whole should have the necessary knowledge and experience of the social, business and legal conditions prevailing in the market areas in which the company operates. The composition of the Board shall be appropriate to the Company's activities, stage of development and other circumstances, and shall be characterised by diversity and breadth in terms of the skills, experience, education and background of the elected members. The Company aims to have an equal gender balance. The Company aims to have at least one independent director.

As of 30 September 2022, Freetrade Europa's board was composed as follows:

Name	Role	Other directorships held
Adam Dodds	Chairman	3
Torbjörn Ericsson	Member	5
Anna Vilson Lantz	Member	2

The board composition remains unchanged as of the date of this publication.

4. Risk management objectives and policies

4.1 Enterprise Risk Management Framework

The Enterprise Risk Management Framework (RMF) sets out how Freetrade manages risk throughout the organisation and how the framework will be maintained. An effective and robust RMF is a fundamental prerequisite to the long term stability and soundness of Freetrade ensuring that current and future risk is applied to decision making.

The objective of this framework is to provide the basis for the risk and control framework in order to effectively identify, assess, respond, monitor and report risks within Freetrade's Risk Appetite and to ensure that all current and emerging risks to Freetrade are managed appropriately and consistently.

The RMF details the principles used to support effective enterprise-wide risk management across the end-to-end risk management lifecycle. The framework covers the risk management roles and responsibilities of the Board, the Senior Management and employees across the "Three Lines of Defence" (3 LoD)

4.2 Risk management governance

Freetrade's approach to Risk Governance encompasses both formal committees/Board Committees as well as clearly defining the key roles and responsibilities within the overarching business model with respect to risk management, aligned to the 3 LoD model.

4.2.1 The role of the Board of Directors (BoD)

Risk management is a core responsibility of all employees at Freetrade. The BoD, however, has ultimate responsibility for the business and risk management. It reviews and approves the firm's strategy and defines a risk appetite aligned to this strategy.

The BoD also monitors the existing risk management profile and considers forward-looking risk and overviews capital and liquidity positions. It meets on at least a quarterly basis and receives reporting and escalation from the RCC (see below).

4.2.2 The role of the Risk & Compliance Committee (RCC)

Freetrade has established an Executive Risk & Compliance Committee (RCC) to provide oversight of the Firm's governance oversight and delegation of responsibilities. The Board delegates the day-to-day oversight of risk and compliance to this committee, as set out in the RCC's terms of reference. The RCC provides regular reporting to the Board.

The RCC has responsibility for monitoring the existing risk profile, assessing the impact of business, product and external change on the risk profile and inputting to the adequateness of capital and liquidity positions. The RCC meets on at least a quarterly basis and receives input from the business on risk related matters, including impacts to the firm's stated Risk Appetite through monitoring Key Risk Indicators. The maturity of the risk management framework is reviewed at least annually by the RCC.

4.2.3 Roles and responsibilities within the Three Lines of Defence

The roles and responsibilities of each Line of Defence is as follows:

- First line of defence: This is formed by managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving business objectives;
- Second line of defence: Risk & Compliance functions which provide the policies and tools, techniques and support to enable risk and compliance to be managed effectively
- Third line of defence: This is provided by internal audit (currently provided by an external firm) and provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to the Board and senior management.

4.3 Key risks

Freetrade has defined a Risk Taxonomy, which addresses the key financial and non-financial risks to which Freetrade is exposed. The key Level 1 Risk types which apply to Freetrade (and which are contained with the Board-approved Risk Appetite Statement) are set out below. In accordance with the IFT, the risks are categorised into risk-to-client (RtC), risk-to-firm (RtF) and risk-to-market (RtM).

Risk Category	Description	Inherent risk profile (pre-mitigants and controls)	Residual risk profile (post-mitigants and controls)	Risk management processes and strategies
Strategic and Business Risk (RtF)	The risk that a business fails to achieve its goals or strategic objectives. Risk can arise through failed business decisions and may arise from the decisions taken by the Board or Senior Management.	High	Low to Moderate	Revenue tracking and cost control. Setting and following up on business objectives. Effective management and monitoring of capital.
Liquidity Risk (RtF)	The risk is the risk that Freetrade has	High	Low	Liquidity planning and monitoring of

	insufficient cash resources to meet its obligations or can only do so at an unsustainable cost (e.g., through high-interest loans)			Key Risk Indicators versus regulatory requirements.
Operational Risk (RtF, RtC)	<p>Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events.</p> <p>Key areas of Operational Risk for Freetrade include:</p> <ul style="list-style-type: none"> • Technology & Information Security Risk • People Risk • Third Party Risk • Financial Crime Risk (including Fraud Risk) • Regulatory and Conduct Risk <p>Operational risk is the most prevalent risk in our business.</p>	High	Low	<p>An Operational Risk Framework has been put in place to identify, assess, manage, monitor and report on all material areas of operational risk across the firm. This includes but is not limited to</p> <ul style="list-style-type: none"> • Monitoring of and following up on incidents. • Due diligence performed on third parties. • Financial crime prevention and detection • Staff training.
Credit Risk (RtF, RtC)	<p>Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations.</p> <p>For Freetrade Credit Risk consists of Counterparty Risk.</p>	Low	Low	Due diligence and oversight of counterparties.
Market Risk (RtF)	Market risk is the risk that values of assets or liabilities, or revenues will be	Low	Low	Monitoring of FX exposure.

	adversely affected by changes in financial market prices. Market Risk mainly reflects Foreign Exchange ('FX') Risk.			
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5. Own funds

See Annex 1 for disclosures of the Company's own funds per 30 September 2022. All of Freetrade's regulatory capital is made up of Common Equity Tier 1 Capital (CET 1) as at 30 September 2022. As such, the total in the tables in Annex 1 also represents the firm's total capital resources at that same date.

6. Own funds requirements

The firm's approach to assessing the adequacy of its internal capital to support current and future activities is set out below.

6.1 External own funds requirement

In accordance with Article 11 of the IFR, the Company's own funds requirement is set as the highest of:

- i. the fixed overheads requirement (FOR),
- ii. the permanent minimum capital requirement (PMR), and
- iii. the K-factor requirement (KFR).

6.1.1 Fixed overhead requirement

The Company's fixed overhead requirement is calculated in accordance with Article 13 of the IFR. The FOR is calculated as at least one quarter of the fixed overheads of the preceding year. As the Company had not been in business for one year on 30 September 2022, it shall use, for the purpose of calculating the FOR, the projected fixed overheads included in its projections for the first 12 months of operation, as submitted with its application for authorisation.

At the licence application, the total fixed costs were expected to be EUR 2 108 956. Therefore EUR 527 239 was the forecast FOR at the licence application stage.

Converted into SEK using the cross rate of 1 EUR = 10.32649 SEK, this results in an FOR of SEK 5 857 950,39.

This has remained the reported Fixed Overhead Requirement, pending the first set of audited accounts for year end 30 September 2022.

6.1.2 Permanent minimum requirement

The IFR requires the Company to hold a minimum own funds amount before any business operations can begin, and during on-going operations. Freetrade is required to hold a minimum PMR of the SEK equivalent of EUR 150 000 at all times, even if other measures were below this level. At the date of receipt of authorisation (22 February 2022) this was an amount of SEK 1 594 605.

6.1.3 K-factor requirement

The K-factor measures reflect the concepts of assets safeguarded or managed, client money held and orders handled, which drive the operational risks that investment firms face. The various measures which drive the K-factor requirement are set out below.

The K-factors are calculated from Freetrade's real-time data on the various measures which the K-Factor rules required. These measures contain look back periods, which are applied before the factor is applied to the average for each measure with an observation period. The concept of the observation period is to remove sudden spikes from a data point, with the averaging over a period of time meaning the change will need to be a trend, rather than a spike and reversal. The look-back period enables time for the Company to react to changes, and allows for appropriate oversight and review before the figure flows into the capital requirements of the Firm.

A. Risk-to-Client Factors

Risk to client covers risks from activities carried out by an investment firm including services, actions or responsibilities, which could negatively impact clients. The risk to client K-factors include Assets under management (K-AUM), Assets Safeguarded and Administered (K-ASA), Client Money Held (K-CMH) and Client Orders Handled (K-COH). Freetrade does not perform any asset management activities therefore K-AUM is not applicable to the firm.

B. Risk-to-Firm Factors

Risk to firm is intended to capture risks to an investment firm's solvency from its trading activity and market participation. The risk to firm K-factors includes Trading Counterparty Default (K-TCD), Daily Trading Flow (K-DTF) and Concentration risk (K-CON).

C. Risk-to-Market Factors

Risk to market applies capital requirements against the impact an investment firm could have on the markets in which it operates, and on those counterparties it trades with. The relevant risk to market K-factor for Freetrade is Net Position Risk (K-NPR) which reflects Freetrade's FX exposures.

The K-Factors calculations applicable as at 30 September 2022 are summarised below:

K-Factor	Relevant period	K-Factor Value	Factor	Underlying Data
K-CMH	Jan-22 - Jun-22	124 sek	0.40%	30,977 sek
K-ASA		13 sek	0.04%	31,429 sek
K-COH	Jan-22 - Jun-22	1 sek	0.10%	1,489 sek
Risk to client		138 sek		
K-DTF	Jan-22 - Jun-22	0	0.10%	0
K-TCD	Sep-22	0	1.92%	0
Risk to firm		0 sek		
K-NPR	Sep-22	875 sek	8%	10,938 sek
Risk to market		875 sek		
Total		1,013 sek		

6.1.4 Overall capital requirement

The overall capital requirement applicable to the Company as of 30 September 2022 was as follows:

Own Funds Requirement

FOR (A)	SEK 5 857 956
PMR (B)	SEK 1 594 605
KFR (C)	SEK 1 013

Own funds requirement (Highest of A, B and C)	SEK 5 857 956
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6.2 Internal capital adequacy and risk assessment (ICARA)

In accordance with the applicable regulatory requirements, the Company has implemented a process for an internal capital adequacy and risk assessment in order to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital and liquid assets that it considers adequate to cover the nature and level of risk which it may pose to others and to which the firm itself is or might be exposed. This assessment is reviewed at least annually and when there are material changes to the Company's business model or operating model. The ICARA intends to assess the capital required to support both current activities and activities that are planned in the future.

If the capital needed to cover the risks identified in the ICARA exceeds the statutory capital requirement defined in Section 6.1.4., this higher capital requirement will instead be used to assess the Company's capital adequacy.

7. Remuneration policy

The Company is subject to SFSA regulation FFFS 2017:2 (the SFSA Regulation), which covers the requirement for policies and procedures in relation to remuneration, including both the fixed and variable components. The Company remuneration policy is gender neutral and balances incentives with risk management.

The value of the Company's on and off-balance sheet assets is less than EUR 100 million and consequently the Company is subject to the derogation set out in Article 32(4)(a) of the Directive (EU) 2019/2034 on the prudential supervision of investment firms, as implemented through SFSA Regulation. This derogation means that the Company is not required to:

- defer payments of variable remuneration to senior management or staff with a material impact on the Company's risk profile, or
- pay part of variable remuneration to senior management or staff with a material impact on the Company's risk profile in instruments, or
- establish a remuneration committee.

Total remuneration for staff is predominantly fixed with the actual amount dependent on various factors including, but not limited to, specific role requirements, experience, professional qualifications and level of seniority. Fixed remuneration is awarded in the form of fixed salary, pension contributions, insurance, preventive health benefits.

The variable element of remuneration is cash bonuses. In accordance with Swedish law, the variable compensation cannot exceed the fixed remuneration.

Formal performance appraisals are carried out for all employees twice a year. Performance is tracked against goals which are set at a company, department and individual level. In addition, ongoing performance feedback is provided during regular business and one-to-one meetings with line managers to allow for continuous development of employees. These appraisals serve as the basis for awarding individuals' performance basis. The firm may also award a company bonus which is applied at the same rate for all employees.

7.1 Quantitative remuneration information

Below are quantitative remuneration disclosures for the year ending 30 September 2022.

	Senior management		Staff with a material impact on the Firm's risk profile	
	Amount (kSEK)	Number of recipients	Amount (kSEK)	Number of recipients
Fixed remuneration	1 879	2	1 775	2
Variable remuneration				
paid in cash (upfront)	111	1	0	0
paid in cash (deferred)	0	0	0	0
paid in instruments (upfront)	0	0	0	0
paid in instruments (deferred)	0	0	0	0
Deferred variable remuneration awarded for previous performance periods, and				
due to vest in the financial year	0	0	0	0
due to vest in subsequent years	0	0	0	0
due to vest in the financial year and reduced through performance adjustments	0	0	0	0
Guaranteed variable remuneration awarded during the financial year	0	0	0	0
Severance payments awarded in previous periods and paid out during the financial year.	0	0	0	0
Severance payments awarded during the financial year and:				
paid upfront	0*	0	0	0
deferred	0*	0	0	0

* the highest payment awarded to a single person was 0 SEK.

Annex 1 - Own funds composition and reconciliation

Template EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non-interconnected)

		(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	13,089,710	
2	TIER 1 CAPITAL	13,089,710	
3	COMMON EQUITY TIER 1 CAPITAL	13,089,710	
4	Fully paid up capital instruments	2,025,000	AKT
5	Share premium		
6	Retained earnings	(5,509,812)	BAL
7	Accumulated other comprehensive income		
8	Other reserves	40,445,764	BAL
9	Minority interest given recognition in CET1 capital		
10	Adjustments to CET1 due to prudential filters		
11	Other funds		
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(23,871,242)	ÅR
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	(23,871,242)	ÅR
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		
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		

Template EU ICC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements				
Utlåning till kreditinstitut		14,458,182		
Materiella anläggningstillgångar		203,965		
Skattefordringar		1,034,431		
Övriga tillgångar		366,281		
Förutbetalda kostnader och upplupna intäkter		286,177		
Summa Tillgångar	Total Assets	16,349,036		
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements				
Övriga skulder		1,232,449		
Upplupna kostnader och förutbetalda intäkter		2,026,525		
Summa Skulder	Total Liabilities	3,258,974		

Shareholders' Equity				
Aktiekapital		2,025,000		AKT
Balanserat resultat		34,935,952		BAL
Årets resultat		(23,871,242)		ÅR
Summa eget kapital	Total Shareholders' equity	13,088,710		