

# Disclosure and Market Discipline in Accordance with Capital Adequacy and the Requirements on Risk Management for the year 2020

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## DISCLOSURE OF INFORMATION FOR THE YEAR 2020

### 1.Introduction

For the purposes of Directives DI144-2014-14, DI144-2014-14(A) and DI144-2014-15 of the Cyprus Securities and Exchange Commission (CySEC) for the Prudential Supervision of Investment Firms and in accordance to regulation EU 575/2013, Easy Forex Trading Ltd (the “Company”) publicly discloses in this report the information laid down in the Directive, which requires the disclosure of information relating to the risk management objectives and policies of Easy Forex Trading Ltd for each separate category of risk, its own funds and the firm’s exposure to market risk, credit risk and operational risk. The Company’s structure and its Remuneration Policy are also presented within this report.

The firm is obliged to disclose the above information in order to encourage market discipline and disclose the assessment process in place to monitor all exposures which the firm is exposed to under its business model.

The Pillar 3 disclosure is a requirement of CRD IV, consisting of the Capital Requirements Directive (‘CRD’ or ‘Directive 2013/36/EU’) and the Capital Requirements Regulations (‘CRR’ or ‘Regulation (EU) No.575/2013’), which is effective from January 1st, 2014. The above has resulted to the respective amendments of the Investment Services and Activities and Regulated Markets Law (Law 144(1)/2007) and the implementation of the respective Regulations and the release of Directives DI144-2014-14, DI144-2014-15, for the purpose of harmonization with the actions of the European Directive. The main aim of the above directives and regulations is to implement the main Basel III reforms across the EU. Pillar 3 requirements under CRD IV are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. The current regulatory framework comprises of three pillars:

- Pillar 1 - Minimum Capital Requirements: sets out the requirements on calculating the minimum capital required for the Firm to be able to cover credit risk, market risk, and operational risk.
- Pillar 2 - Supervisory Review Process ‘SREP’: sets out a supervisory review process which assesses the internal capital adequacy processes (‘ICAAP’), as to whether the Firm’s

Pillar I capital is adequate to meet those risk exposures and encourages the Firm to develop and use better risk management techniques.

- Pillar 3 - Market Discipline: sets out the required disclosures to allow market participants, having a full picture of the risk profile of the Firm, to assess key information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Firm.

The disclosures in this report are verified on a sample basis by the external auditor of Easy Forex Trading Ltd, PricewaterhouseCoopers Limited. A review by the Company will be carried out frequently and at least annually. Considering the scale, size and complexity of the firm and its operations, and the financial instruments offered to its clients, it should be noted that some or all of the disclosures will be published on annual basis. The disclosures are reviewed and verified by the Board of Directors before publication on the firm's [website](#).

## 2. Background

Easy Forex Trading Ltd, a Cyprus Investment Firm regulated by the Cyprus Securities and Exchange Commission "CySEC" under License No. 079/07, has been licensed since May 2007 (<http://www.cysec.gov.cy/en-GB/entities/investment-firms/cypriot/>). The disclosures in this report are effective as of 31<sup>st</sup> December 2020 and relate to the company Easy Forex Trading Ltd, which had no subsidiaries as of that date.

Easy Forex Trading Ltd is licensed to carry out the following investment and ancillary services:

- Reception and transmission of orders in relation to one or more financial instruments,
- Execution of orders in relation to one or more financial instruments,
- Dealing on own account,
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction,
- Foreign exchange services where these are connected to the provision of investment services.

## 3. Regulatory Capital

The firm's capital base comprises only original Own Funds (Tier 1 Capital), that is, share capital and reserves. Investors Compensation Fund is deducted from Common Equity Tier 1 as per Circular 162. In addition, as per CySEC's Directive DI87-07 and Circular 334, a minimum cash

buffer of 3 per thousand of eligible funds and financial instruments of the clients as at the previous year should be deducted from Common Equity Tier 1 Capital. Reserves include only retained earnings (retained earnings/accumulated losses brought forward, and profit/loss for the year). The company discloses that there are no transitional provisions such as specific items, prudential filters or any other deductions on own funds in accordance to Article 437 and 492 of amended regulation (EU) No 648/2012.

The capital base, the risk weighted assets and finally the capital adequacy ratio as at 31 December 2020 is represented in the below table:

**Table 1**

<b>Capital Base as 31st December 2019</b>	<b>EUR ('000)</b>
Capital instruments and related share premium accounts	2,500
Retained Earnings	-377
Investors Compensation Fund	-43
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b><u>2,080</u></b>
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-6
<b>Common Equity Tier 1 (CET1) Capital</b>	<b><u>2,074</u></b>
Total Tier 2 (T2) Capital	0
<b>Total capital (TC= T1+T2)</b>	<b><u><u>2,074</u></u></b>
<b>Risk Weighted Assets</b>	
Credit Risk	1,972
Market risk	270
Operational Risk	1000
Large exposures	0
<b>Total Risk Weighted assets</b>	<b><u><u>3,242</u></u></b>
<b>Capital ratios</b>	
Common Equity Tier 1 Ratio	<u>63.97%</u>
Tier 1 Capital Ratio	<u>63.97%</u>
<b>Total Capital Ratio</b>	<b><u><u>63.97%</u></u></b>
Direct and Indirect holdings of financial sector entities	0
Deferred Tax assets	0

This disclosure has been prepared using the format set out in Annex VI of the "Commission Implementing Regulation (EU) No 1423/2013", which lays down implementing technical standards with regards to disclosure of own funds requirements, for institutions according to the CRR.

### 3.1 Capital Requirements

In accordance with CySEC's Directive DI144-2014-14 and Directive DI144-2014-15 and as set out in the Basel III and implemented in the European Union through the Capital Requirements Directive (CRD IV – Directive 2013/36/EU), Basel III applies the three-pillar concept.

- **Pillar 1 - Minimum Capital Requirements:** sets out the requirements on calculating the minimum capital required for the Firm to be able to cover credit risk, market risk, and operational risk.
- **Pillar 2 - Supervisory Review Process 'SREP':** sets out a supervisory review process which assesses the internal capital adequacy processes ('ICAAP'), as to whether the Firm's Pillar I capital is adequate to meet those risk exposures and encourages the Firm to develop and use better risk management techniques.
- **Pillar 3 - Market Discipline:** sets out the required disclosures to allow market participants, having a full picture of the risk profile of the Firm, to assess key information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Firm.

The most appropriate methods for measuring the capital requirements of the firm are as follows:

**Standardized Approach** for credit and market risk:

- Determination of the exposure value.
- Each exposure is allocated into one of the exposure classes depending on the counterparty class.
- Except for the items deducted from the own funds, all exposures that are subject to risk are assigned with a risk weight. The application of risk weights is based on the exposure class to which the exposure is assigned.
- For capital requirements, risk weighted exposures are multiplied by 8%, which is a regulatory minimum capital requirement.

**Basic Indicator Approach** for operational risk: the firm must hold capital for operational risk equal to the average over the previous three years of a fixed percentage of positive annual

net income. The figures for any year in which the annual net income is negative or zero are excluded from both the numerator and denominator when calculating the average.

**Table 2**

Risk Category	Approach	Capital requirements EUR '000
		31st December 2020
Credit, Counterparty Credit and Dilution Risks and Free Deliveries	Standardized Approach	158
Position, Foreign Exchange and Commodities	Standardized Approach	22
Operational Risk	Basic Indicator Approach	80
Large Exposures	Standardized Approach	-
<b>Total Capital Requirements</b>		<b>259</b>

The Company falls in the category of small and medium-size CIFs and is exempted from the obligation to maintain a countercyclical capital buffer. **As at 31<sup>st</sup> December 2020, and as shown in Table 1, the capital adequacy ratio of the Company stood at 63.97%.**

Also, as of 01 January 2020 the Company has adopted IFRS 16. Adoption of IFRS16 did not have any significant impact on the capital adequacy and capital requirements, and transitional arrangements had not been applied.

Furthermore, the Company has taken into consideration the C-417 circular regarding the prudential treatment of crypto assets regarding Form 144-14-06.1. Also it should be noted that the Company did not have any material crypto-asset holding.

### 3.2 Main terms and conditions of capital resources

The firm's capital base comprises ordinary shares (Core Tier 1 Capital). The main features of which are presented below:

		31 December 2020
<b>1</b>	Issuer	Easy Forex Trading Ltd
<b>2</b>	Unique identifier	HE203997
<b>3</b>	Governing law(s) of the instrument	Cyprus Law

## Regulatory Treatment

4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-) consolidation/solo and (sub-) consolidated	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital	2,500,000
9	Nominal amount of instrument	3,000,000
9(a)	Issue price	1 EUR
9(b)	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<b>Coupons/dividends</b>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20(a)	Fully discretionary, partially discretionary, or mandatory (in terms of timing)	N/A
20(b)	Fully discretionary, partially discretionary, or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentives to redeem	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A



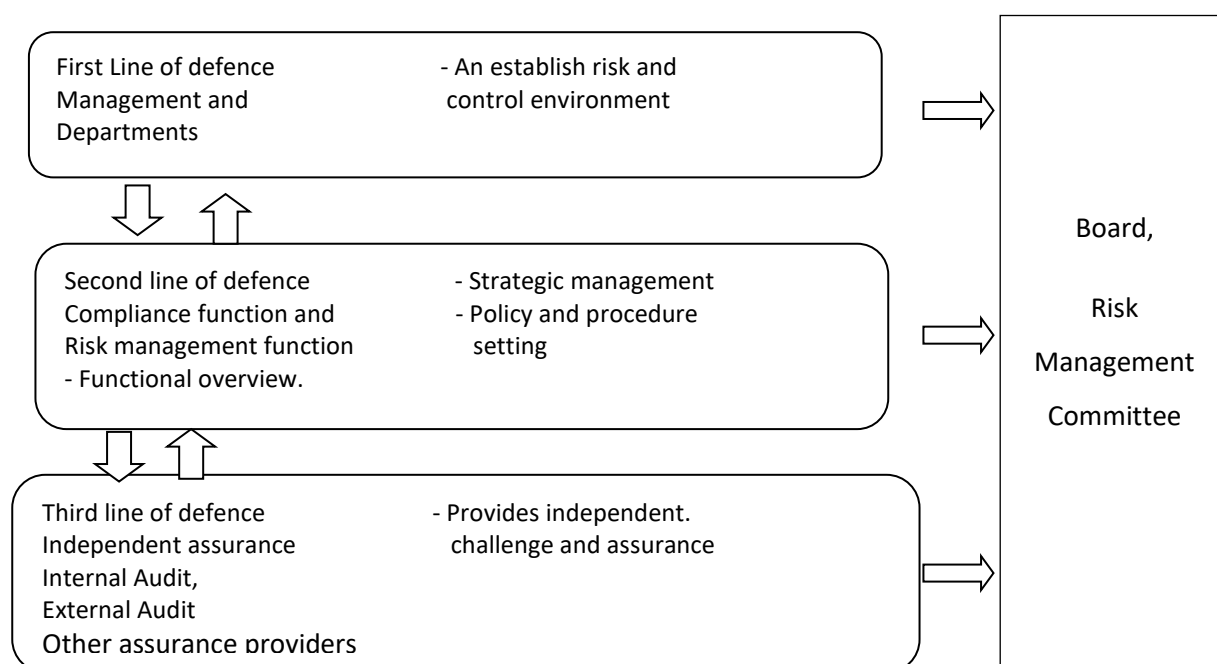
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write- down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

## 4. Responsibilities of the Board of Directors and Risk Management Committee

The responsibility for the overall risk management and/or assessment lies with the Board of Directors of the Company. The Board of Directors needs to identify, assess, monitor, and control each type of risk on a continuous basis.

The Board of Directors have a critical role in establishing a risk culture that strengthens the Company's risk governance. This includes reviewing the strategy and approving the ICAAP's Design, Structure and Procedure as well as defining the risk tolerance levels. It is the Board of Directors that is ultimately responsible for risk governance. The Risk Management Committee has a mandate to define sound policies reflecting the approved risk tolerance levels, identify new threats and monitor risks in a proactive manner. Further, the Risk Management Committee advises the Board of Directors for the current and future risk tolerance of the Company, along with assisting in overseeing the implementation of the business strategy. The Company ensures that the Risk Management Function can report directly to the Board of Directors and is able to raise any concerns regarding the risk profile of the Company. A Risk Register is in place, maintained by the Risk Manager who ensures that all risks have ownership, clear reporting lines as concisely presented in Figure 1.

**Figure 1**



The Board of Directors along with the Senior Management have reviewed, assessed, and approved the adequacy of the risk management arrangements of the Company. They have reviewed and assessed all the risks the company is or might be exposed to, including the risks posed by the macroeconomic environment. Additionally, the management body has made sure that the risk management procedures and policies put in place are adequate with regards to the institution's profile and strategy. All these were last discussed, reviewed, and approved in the Board Meeting held on the 27<sup>th</sup> of April 2021.

In summary, when managing and/or assessing risks, the responsibilities of the Board of Directors and Senior Management are as follows:

- Assess on a continuous basis the effectiveness of the policies, arrangements, and procedures in place.
- Decide on the Company's risk-bearing capability and strategy.
- Ensure that the Company has the ability to cover its financial needs and capital requirements at any time.
- Exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity. When preparing such decisions, the Board shall consider the long-term interests of shareholders, investors and other stakeholders in the investment firm.

## 5. Risk Management

### 5.1 Risk Register

The Company has clear risk tolerance levels which is the amount and type of risk that the Company is able and willing to accept in pursuing its objectives. Risk tolerance is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, credit, market, operational, reputational and compliance risk. The exhaustive list, their likelihood, impact, and risk mitigation employed to handle within the Company's risk tolerance can be found in the Risk Registry that is maintained by the Risk Manager. The Board of Directors approved the Risk Registry as part of the ICAAP Report, under low, medium, and high-risk conditions and scenarios.

### 5.2 Responsibilities of the Risk Management Committee

The Company has set up a Risk Management Committee which is primarily responsible with managing and evaluating the credit, market and operational risks of the Company, resulting from the Company's operations, and as part of its responsibilities, it has to set out, approve and regularly update the Company's risk strategy as well as to monitor all risks on an ongoing basis. The Risk Management Committee's main responsibilities may be summarized as follows:

- Establish, implement, and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities and processes.
- Monitor the adequacy and effectiveness of the risk management policies and procedures.
- Risk Committee assists the Board of Directors to oversee the implementation of the risk strategy by the senior management;
- Review and approve the ICAAP recommended by the Risk Manager.
- Meets quarterly to assess and review the risk management policies and procedures prepared by the Risk Manager.
- Review the outcomes of the tests of recovery plan.

The Committee met four times within 2020.

### 5.3 Responsibilities of the Risk Manager

The Risk Manager is responsible for the below:

- Immediately, in the event of any deficiency, a report to the Board of Directors indicating whether the proper remedial measures have been taken to remedy the deficiency in question.
- Examine and evaluate market trends and were deemed appropriate produce relevant reports.
- Whenever new products or services are produced by the company, the Risk Manager is responsible to evaluate their functionality and how it will possibly affect the Risk Management of the company.
- Prepares the Annual Risk Management review in which it details the actions taken by the Risk Management Function of the Company during the year under review.
- Prepares the quarterly Capital Adequacy forms in accordance to the Regulation.
- Prepares a quarterly report in which; he updates the Risk Register, recalculates the company's leverage and performs relevant stress tests.
- Ensures compliance with any new legislation from a risk management point of view.
- Prepares the ICAAP and assists the Board of Directors in overseeing its implementation by the senior management.
- Prepares implements and keeps the recovery plan up to date from any material changes affecting the company or its environment.

## 6. Regulatory Pillar Risks

### 6.1 Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changing market prices. The market risk capital requirements and total risk exposure as at 31 December 2020 are presented in Table 3:

**Table 3**

Market Risk	Own Funds Requirement	Total Risk Exposure
	Amounts '000	Amounts '000
Equities in trading Book	0	0
Total Positions in Non-Reporting Currencies	22	270
<b>Total Market Risk</b>	<b>22</b>	<b>270</b>

#### 6.1.1 Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. It should be noted that the company has no significant interest-bearing assets and liabilities. Hence, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The person responsible for this risk is the Chief Financial Officer.

#### 6.1.2 Liquidity Risk

Liquidity Risk is the risk that a CIF although solvent, either does not have available sufficient financial resources to enable it to meet its current and prospective obligations as they fall due or can secure such resources only at excessive cost. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. The company has sufficient cash reserves as well as flexibility in funding in order to meet its current and prospective obligations as they fall due.

#### 6.1.3 Foreign Exchange Risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to major strong currencies. This risk arises from the nature of its operations which relates to dealing in foreign currencies over the internet. This risk is, however, inherent in the operating activities of the Company. The Company acts as the

counterparty to all transactions performed by the clients, all of which are offset with its parent company, therefore, eliminating any foreign exchange or market price risks.

Foreign exchange risk also arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Company's functional currency. All the Company's income is denominated in United States Dollar, whereas the majority of expenditure is in Euro, which is the functional currency, thus creating some foreign exchange risk.

The Risk Manager monitors the overall Market risks, which requires the day-to-day involvement of the Dealing for Own Account Department:

1. Monitoring on a daily basis the aggregate foreign exchange positions of the Company.
2. Reporting to Management large changes in exposure of net foreign exchange positions.
3. On a daily basis monitors Easy Forex Trading Ltd Capital adequacy ratio. In the event that the ratio falls below 10%, the Risk Manager will decide on the necessary steps to be taken in order to reduce the Company's net exposure so that the Capital adequacy ratio remains above 10.5% at all times, including the Conservation Capital Buffer of 2.5% as of 1<sup>st</sup> of January 2020.
4. Monitors the maximum deal sizes, where a deal exceeding a certain limit will be blocked by the system.
5. If at any one time a single client exceeds the maximum limits via various deal combinations the Dealing for Own Account Department informs the Risk Manager to take appropriate action to limit the exposure.
6. Continuously monitors client activity for any "unusual" trading patterns and alerts the Risk Manager with any concerns.
7. Continuously monitors the Company's published rates and ensures they are aligned with market rates.
8. Takes part in investigating and solving client-specific trading issues and alerts the Risk Manager with issues that may arise.
9. The Risk Management Committee defines the maximum net exposure that the Company may aggregate from its clients. This policy is linked to the amount of capital accrued by the Company.
10. The Company's Dealing for Own Account Department is responsible for hedging the exposure according to the Company's hedging strategy. Hedging of net positions of clients will be done on a Company level. The Company has in place a counterparty

offsetting agreement with its parent entity, which means that market risk is passed onto the parent company to hedge.

## 6.2 Operational Risk

Operational risk is the risk of loss derived from the deficiencies relating to the Company's information technology, control systems, human error, natural disasters, and unauthorized activities.

Operational Risk's main purpose is the protection of investors in case of a restructuring of the firm's activity and operations or a possible wind down.

The Company's Operational Risk Capital Requirements calculated based on the Basic Indicator Approach as at 31st of December 2020 is 80,030 EUR resulting from a Total Operational Risk Exposure Amount of 1,000,371 EUR.

Table 4 illustrates the Total Operational Risk Exposure and Capital Requirements to Operational Risk as at 31st December 2020;

*Table 4*

GROSS INCOME			CAPITAL REQUIREMENT	RISK WEIGHTED EXPOSURE AMOUNT
YEAR 3	YEAR 2	YEAR 1	Amounts '000	Amounts '000
674	549	377	80	1000

Operational risk is managed by the Company by monitoring all processes and transactions.

A Business Continuity Plan has been implemented to help in the protection of all the Company's information including data, records and facilities. The Company has performed one test on the 8<sup>th</sup> of November 2020 to check the efficiency of its Disaster Recovery Plan.

**Monitoring:** There are a few layers in the system, which are monitored consistently to ensure sound operation:

- **Hardware** – internal monitoring software monitors the key components, such as disk space, CPU utilization, memory, etc.
- **Quotes** – since the quotes are the heart of the application, there are backup quotes channels; if the primary channel fails the system automatically and immediately switches to the backup channels.
- **Software** – there are many parameters of the software application that are monitored in order to have a complete view over the site activity. Such parameters are – logged in users, total sessions, and open positions.

**Backups:** The system implements backup levels to ensure that there is no loss of data. A full back up of all information is to be recorded on a daily basis. Back up shall include:

- Web Site (the site and the related Back Office system) is fully backed up.
- Sensitive original paper documents
- Electronic files such as Office documents, mailboxes, home directories of users.

**Alternate Physical site to the current site:** In case the Head Office in Limassol is not functional for any reason, the Chief Executive Officer may announce a temporary cessation of the current location and transfer activity to any other location which will be available for the task.

The Risk Manager monitors the various Operational risks in the following ways:

1. Verifies that the Company has sufficient systems and personnel or can adequately replace in a timely manner such assets so that the Company can continue to operate without interruption.
2. Ensures that the Company has in place a functional disaster recovery plan (DRP) that is tested at least on a yearly basis and all employees have sufficient knowledge of all procedures that are required to
  - a. make the disaster recovery site operational,
  - b. operate in disaster recovery conditions.
3. Independently assesses the Company's procedures and reports to the Risk Management Committee and any risks that the Company can face from:
  - Non-compliance with current or future changes in the legal environment.
  - Conflicts of interest that can lead to unfair customer treatment.
  - Inadequate controls over fraudulent behavior from employees.
4. Monitors all information and communication between the Company and its clients to verify the absence of any false information representations.

### 6.3 Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes as presented in table 5, as at 31 December 2020.

Easy Forex Trading Ltd uses the Standardized Approach for measuring credit risk.

**Table 5**

## Disclosure of Information for the year 2020



Credit Risk	Pre-Risk Weighted Exposure	Risk Weighted Exposure	Own Funds Requirement
	Amounts '000	Amounts '000	Amounts '000
Central governments or central banks	-	-	-
Regional governments or local authorities	-	-	-
Public sector entities	14	14	1
Multilateral development banks	-	-	-
International organizations	-	-	-
Institutions	2,097	1,118	89
Corporates	773	773	62
Secured by mortgages on immovable property	-	-	-
Retail	88	66	5
Exposures in default	-	-	-
Items associated with particularly high risk	-	-	-
Covered Bonds	-	-	-
Exposures in Short Term on Institutions and Corporates	-	-	-
Claims in the form of Collective Investment Undertakings (CIU)	-	-	-
Equity exposures	-	-	-
Other items	1	1	0
Securitization Positions	-	-	-
Total Capital Requirement for Credit Risk	2,973	1,972	158

The company did not have any specific and/or general credit risk adjustments as at 31 December 2020.

The different classes of credit exposure by country are presented in Table 6 below, as at 31 December 2020.

**Table 6**

Risk Weighted Credit Exposure by Country Amounts'000	Cyprus	United Kingdom	Other*	Total
Public Sector Entities	14	0	0	14
Institutions	894	224	0	1,118
Corporates	773	0	0	773
Retail	0	18	48	66
Other Exposures	1	0	0	1
<b>Total</b>	<b>1,682</b>	<b>242</b>	<b>48</b>	<b>1,972</b>

*\*Other consists of countries such as Norway, Denmark, Poland, Greece, Spain, Germany, Italy, Lithuania, Latvia, France, Hungary, Netherlands, Croatia, Ireland, Portugal, Romania, Slovenia, Finland, Czech Republic, Austria, Sweden, Slovakia, Bulgaria, French Guiana, Guadeloupe, Iceland, Luxemburg, Malta, Estonia, Reunion and Belgium.*

#### 6.4 Credit Risk Mitigation

The Company has policies in place to ensure that customers place adequate funds prior to enabling them to enter into foreign exchange deals and that cash balances are held with adequate credit quality financial institutions within the European Union.

With regards to the geographical distribution of the client bases of the Company, all clients are residents in a European Union member state, and since the only methods deposits can be made is via a credit card, eWallet or bank/wire transfer, the Company's exposure to credit risk is not significant as all transfers are electronic originating from EU credit institutions.

The mitigation of credit risk is also achieved by using reputable credit institutions in the European Union with low default risk and high credit ratings. The ratings are derived from the three recognized External Credit Assessment Institutions (ECAI), Moody's, Standard & Poor's and Fitch. The external credit assessments are mapped to the credit quality step according to their rating and the residual maturity.

The company is exposed to a large number of small counterparties that do not pose any significant threat individually, thus there is not significant credit concentration risk.

The credit risk exposure of the Company is mainly spread within Cyprus and the UK. The majority of the assets subject to credit risk have a maturity of less than 3 months.

The Company is adequately capitalized and maintains sufficient cash reserves as well as flexibility in funding by maintaining committed credit lines to meet its financial obligations, consequently mitigating the possibility of any distress to meet its financial obligations.

**An analysis of the Credit Risk Exposure Amounts by Exposure Class as at 31 December 2020 is presented in table 7 below.**

**Table 7**

Credit Quality Step	Residual Maturity up to 3 months	Residual Maturity more than 3 months	Total Exposure
	Amounts '000	Amounts '000	Amounts '000
1	17	0	17
2	1,104	0	1,104
3	0	0	0
4	0	0	0

5	163	813	976
6	0	0	0
<b>Total</b>	<b>1,284</b>	<b>813</b>	<b>2,097</b>

#### 6.4.1 Policy for securing collateral and establishing credit reserves.

The Company's clients deposit the funds that will be used as collateral (margin) in advance and therefore no risk arises from a potential non-payment by a client. Subsequently, no credit reserve is established for these purposes.

#### 6.4.2 "Past due" and "impaired" Receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments. Impairment losses on trade receivables are presented within operating profit. For all other financial assets at amortized cost, amounts receivable from clients, amounts held with brokers, cash and cash equivalents and bank deposits with original maturity over three months, the Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forward-looking information.

The company discloses that there are not any "past due" or "impaired" assets as at 31 December 2020.

**The gross positive fair value of contracts, net derivatives credit exposure and Risk Weighted Exposures of the Company's derivative contracts, which consist of Contracts for Difference (CFD) in OTC FX, Commodity, Indices futures and Option Products.**

- The gross positive fair value is the volume of open positions and amounted to EUR 3,077 thousand at 31 December 2020.
- The net derivatives credit exposure amounted to 61 thousand as at 31 December 2020.

The geographical distribution of the credit exposures of the Company is presented in table 8 below:

**Table 8**

Country	Gross Positive Fair Value of Contracts Amounts '000	Net Derivative Credit Exposure Amounts '000
Cyprus	1	0
Poland	960	17
United Kingdom	993	14
Norway	55	1
Greece	74	10
Other*	994	19
<b>Total</b>	<b>3,077</b>	<b>61</b>

*\*Other consists of countries such as Denmark, Spain, Germany, Italy, Lithuania, Latvia, France, Hungary, Netherlands, Croatia, Ireland, Portugal, Romania, Slovenia, Finland, Czech Republic, Austria, Sweden, Slovakia, Bulgaria, and Belgium.*

## 6.5 Mark-to-market method and exposures

The Easy Forex Trading LTD does not bear any exposure, as the exposures are fully hedged with the parent company, Blue Capital Markets LTD.

## 6.6 Additional and Significant Risks

### 6.6.1 Residual Risk

The risk may arise due to a failure or ineffectiveness of risk mitigation techniques. The Risk Management function has designed and implemented adequate risk mitigation techniques in compliance with Directive 2014/65/EC of the European Parliament and aligned to the sound policies of the risk management function.

### 6.6.2 Concentration Risk

It includes company's exposure to sectoral, geographical, liability and asset concentrations or to a client or a group of clients. The company does not face any significant client concentration risk as it is not relied upon one client or a group of clients.

## 6.7 Leverage ratio

According to Regulation (EU) 2016/200 the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposure measure and is expressed in percentage terms.

The leverage ratio of the Company as at 31 December 2020 has been calculated using two capital measures as illustrated in Table 9:

(a) Tier 1 capital: 69.16% using the fully phased-in definition

(b) Tier 1 capital: 69.16% using the transitional definition

Breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements.

**Table 9**

<b>CRR Leverage Ratio Exposures</b>	
<b>On-balance sheet exposures (excluding derivatives and securities financing transactions "SFTs") as at 31 December 2020</b>	
	EUR '000
On-balance sheet items (excluding derivatives and SFTs and fiduciary assets, but including collateral)	2,210
(Asset amounts deducted in determining Tier 1 Capital)	
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>2,210</b>
<b>Derivative exposures</b>	
Replacement cost associated with all derivatives transactions	49
Add-on amounts for PFE associated with all derivatives transactions	13
Exposure determined under Original Exposure Method	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
(Exempted CCP leg of client-cleared trade exposures)	-
Adjusted effective notional amount of written credit derivatives	-

(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
<b>Total derivatives exposures</b>	<b>62</b>
<b>SFT exposures</b>	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
Counterparty credit risk exposure for SFT assets	-
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
Agent transaction exposures	-
(Exempted CCP leg of client cleared SFT exposure)	-
<b>Total securities financing transaction exposures</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>	
Off-balance sheet exposures at gross notional amount	727
(Adjustments for conversion to credit equivalent amounts)	-
Other off-balance sheet exposures	727
<b>Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)</b>	
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet))	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off-balance sheet))	-
<b>Capital and total exposure measure</b>	
Tier 1 capital	2,074
Leverage ratio total exposure measure	2,999
<b>Leverage ratio</b>	
Leverage ratio	69.16%

<b>Split-up of on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)</b>	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	EUR '000
Trading book exposures	-
Banking book exposures, of which:	-
Covered bonds	-
Exposures treated as sovereigns	14

Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	-
Institutions	1119
Secured by mortgages of immovable properties -	-
Retail exposures	66
Corporate	46
Exposures in default	-
Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	1

The Risk Management Committee has reviewed the leverage report and if significant changes are noted or anticipated that will place the Leverage ratio below 10%, the company's exposure to Derivatives and Other Assets will be immediately reduced to bring the leverage above 15%.

## 7. Internal Capital Adequacy Assessment Process (ICAAP)

In accordance with Directive DI144-2007-05 of 2011 on the Capital Requirements of Investment Firms and section 68 of the Investment Services and Activities and Regulated Markets Law of 2007, the management of Easy Forex Trading LTD ensures to have in place sound, effective strategies, and processes to assess all risks is or might be exposed to. Further, ensures to maintain adequate capital for all risks identified.

The Internal Capital Adequacy Assessment Process (ICAAP) falls within the scope of Pillar II and the main objective is to enhance the company's risk profile, risk mitigation and its capital. Further, the ICAAP is used to promote a dialogue between CySEC and the company, as CySEC assesses the ICAAP through the Supervisory Review and Evaluation Process (SREP).

The responsibility of the overall risk management and assessment lies with the Board of Directors, while the Risk Manager supervises the implementation of the ICAAP and reports directly to the Board of Directors the risks identified, how they assessed, how they are monitored, and any issues or shortfalls arose. Additionally, the Board of Directors reviews and approves the annual report which describes the Internal Capital Adequacy Assessment Process (ICAAP) created by the Risk Manager and approved by the Risk Committee.

The Risk Manager analyzes in the report, all risks identified, the likelihood and the impact on the business if the risk arises. The risks identified are presented in three risk categories.

- Pillar I Risks (Market Risk, Credit Risk, and Operational Risk),

- Risks not fully covered under Pillar I (Securitization Risk, and Foreign Exchange Risk),
- Pillar II Risks (Liquidity Risk, Business Risk, Concentration Risk, Residual Risk).

The mitigation measures taken of the risks identified are detailed in the report along with any additional capital set aside above the required capital in order to cover Pillar II risks.

## 7.1 Stress Testing

The Risk Manager based on an internal methodology, in the quarterly internal reports and yearly ICAAP Report, summarizes the results of the sensitivity and scenario analysis performed and makes sure the company's capital adequacy ratio remains well above the required ratio imposed by CySEC. In cases where the capital adequacy ratio would be near the minimum capital requirements, the Risk Manager reports to the Risk Committee and Board of Directors the findings.

The Risk Manager in the 2020 yearly ICAAP report indicates that the company has adequate capital buffers under its current operation structure and risk profile. Specifically, stress tests applied by using the below methodologies.

- **Sensitivity Analysis:** This methodology illustrates how the company's position may be altered, in case of a single risk factor is modified and all other circumstances remain unchanged. In all scenarios applied the capital adequacy ratio remains well above the capital requirements.
- **Scenario Analysis:** Under this methodology, the company quantifies the impact of a simultaneous change of several risk factors. After applying a high-risk increase to all risk types, which consists of the worst-case scenario, the Total Capital Ratio including Pillar II risks was maintained at adequate levels.

## 8. Governance

### 8.1 Country by Country Reporting

In accordance with the Directive DI144-2014-14 and DI2014-15, as of 1 January 2015, Easy Forex Trading LTD is required to disclose to CySEC on annual basis the following information, by member state and by third country in which it has an establishment:

- Name(s), nature of activities and geographical location.
- Turnover.
- Number of employees on a full-time equivalent basis.
- Profit or loss before tax.



- Tax on profit or loss.
- Public subsidies received.

## 8.2 Reporting and Control

All supervisory functions of the company have direct communication with the Board of Directors, and this is in line with establishing a risk culture that strengthens the Company's risk governance. Any findings or deficiencies identified are communicated to the Board of Directors and to the Senior Management. The following table consists of the major reports submitted to the Board of Directors for the precedent year:

**Table 10**

Report Name	Owner	Recipient	Frequency
Risk Management Report	Risk Manager	BoD, CySEC	Annual
ICAAP Report	Risk Manager	BoD	Annual
Pillar III - Market Discipline and Disclosure	Risk Manager	BoD, CySEC, Public	Annual
Capital Adequacy Reports	Risk Manager	CySEC	Quarterly
Quarterly Statistics Report	Risk Manager	CySEC, BOD	Quarterly
Anti-Money Laundering Report	Anti-Money Laundering Officer	BoD, CySEC	Annual
Compliance Report	Compliance Officer	BoD, CySEC	Annual
Internal Audit Report	Internal Auditor	BoD, CySEC	Annual
Annual Auditors' Suitability Report	External Auditors	BoD, CySEC	Annual
Audited Financial Statements	External Auditor	BoD, CySEC	Annual
Recovery Plan	Risk Manager	BoD, CySEC	Annual

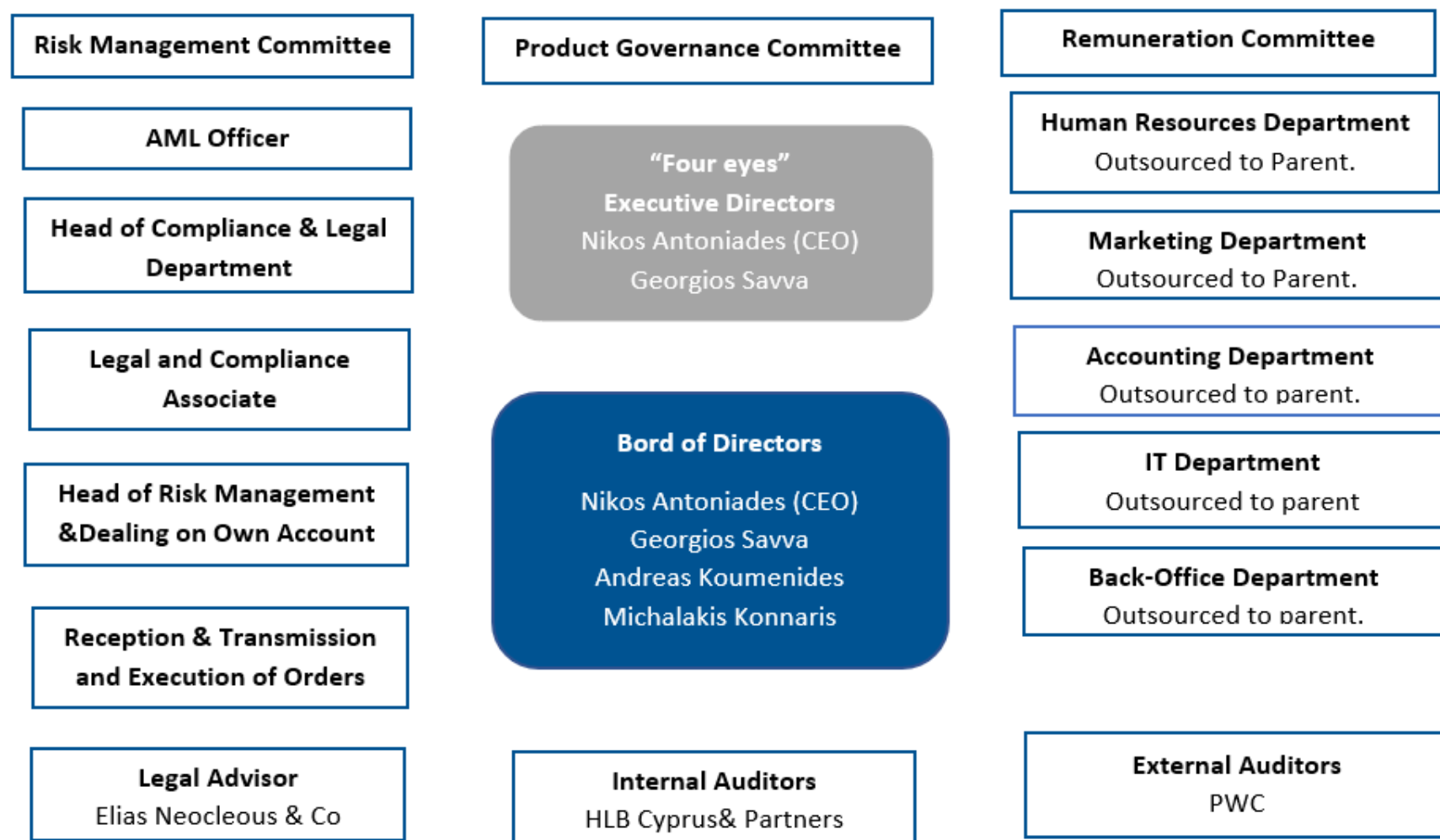
## 8.3 Organizational Structure

Communication of information at all relevant levels of the firm is defined below in the organizational structure, which clearly specifies reporting lines and allocates functions and responsibilities:

- The Board of Directors consists of 2 Executive and 2 Non-Executive Directors. The number of directorships is presented in the below table.

No	Name	Number of Directorships (including Easy Forex Trading Ltd)
<b>1</b>	<b>Nikos Antoniadis</b>	<b>1</b>
<b>2</b>	<b>Georgios Savva</b>	<b>1</b>
<b>3</b>	<b>Michael Konnaris</b>	<b>3</b>
<b>4</b>	<b>Andreas Koumenides</b>	<b>2</b>

\*Directorships held within the same group are considered as 1.



## 9. Management Recruitment

### **Purpose:**

The recruitment process at Easy Forex Trading Ltd is outlined in mainly three sections:

1. Manpower Planning
2. Employee Requisition
3. Candidate Selection
  - Advertising
  - Screening
  - Interviewing
  - Personality Profile
  - References
  - Offer of Employment!

### **Scope:**

Based on requirements for the following year the Heads of Department submit their proposals for new positions, increase in headcount for existing positions, requirements for temporary staff and even cutbacks on existing positions are discussed with the Human Resources VP and submitted to the CEO as part of the budgetary process for the upcoming year. The approved departmental headcount is included in the budget of the year. In the case of replacements for senior management positions, as well as other positions; a review of the previous job description takes place to see if the responsibilities need to be amended or absorbed into a current role. This practice covers but is not limited to the following roles:

- Head of Reception & Transmission and Execution of Orders
- Dealing on Own Account
- Compliance Officer/Manager
- Executive Directors
- Non-Executive Directors

### **Policy:**

The Head of Departments or Board will submit the request to HR at least 8 weeks prior to the requirement of a new position or in the case of a replacement, as soon as the employee has submitted their resignation and the job analysis has been performed.

**Procedures:**

This part is critical to the overall process. Prior to advertising the vacant position, the Head of Department in conjunction with HR must update or create a new Job Description for the position in question. This will help in better defining the responsibilities of the role as well as the candidate profile desired.

**9.1 Advertising**

All vacancies must firstly be internally advertised by HR either via e-mail or by posting on the company intranet. All suitable internal applicants will be given priority to external ones.

External advertising will be undertaken in order to source suitable candidates for interviews if internal advertising has not yielded results. Methods used can be determined based on particularities of the position in question and could vary from direct adverts, recruitment agency database search, headhunting, job board postings and any other suitable techniques as seen fit.

**9.2 Screening**

Candidates will apply directly via the online Human Capital Management (HCM) system. HR will assign the hiring manager to the open vacancy in the HCM system and the hiring manager is responsible for reviewing any new or shortlisted CVs and providing feedback via the HCM system in a timely manner. HR will notify candidates if they are not shortlisted for interview.

**9.3 Interviewing**

The interview process should be defined and structured at the beginning of the recruitment process, once the vacancy is approved. All candidates should be interviewed by at least the hiring manager and a member of the HR department as a minimum. Ideally, tests should be used where appropriate and prepared in advance and submitted to HR. In some cases, and in particular, for key positions or senior hires, a personality test will be administered.

Competency-based interviewing is recommended in order to improve the validity of our interview process. Hiring managers should complete the interview appraisal during the interview via the HCM system and submit the feedback at the end of the interview.

All candidates will be provided with feedback within two weeks of their interview.

**9.4 Offer of Employment**

When a candidate is selected, the hiring manager should speak to HR and summarize the offer terms which include:

- Position Title;
- Gross monthly salary;
- Start date.

HR will then coordinate the offer approval and send an offer letter to the candidate. Once the offer is accepted HR will send a welcome email to the new joiner specifying what documents are needed and what the joining instructions are.

## **9.5 Qualifications for Management Positions**

Once the employment offer has been accepted, the persons employed by Easy Forex Trading Ltd must meet the following criteria:

### **9.5.1 Good reputation**

Persons employed by Easy Forex Trading Ltd must have integrity, morals, and credibility. For this purpose, Easy Forex Trading Ltd requests the submission of the following, which are kept in the employee's personnel records:

- Certificate or copy of certificate of non-bankruptcy, certifying that the person is not bankrupt.
- Certificate or a copy of criminal record certificate from the competent authorities of the country of residence of the person for the last five years, attesting that the person has no criminal record.

### **9.5.2 Skills, knowledge and expertise**

Persons employed by Easy Forex Trading Ltd must hold academic and / or have professional qualifications and professional experience relevant to the responsibilities assigned to them. For this purpose, Easy Forex Trading Ltd requests the submission of the following, which are kept in the employee's personnel records:

- Copies of academic degrees or diplomas, or/and professional qualifications.
- Certificates from previous employers showing that the person has experience relevant to the assigned responsibilities.

### **9.5.3 Special Conditions for Head of Reception & Transmission and Execution of Orders**

In addition, Easy Forex Trading Ltd must ensure that the persons it employs are, where applicable, registered in the public register of Article 53 of the Law. It is possible to employ a person not registered only if the Commission's prior approval is obtained in accordance with Article 52 (2) of the Law, where applicable.

In the event that the persons will receive and transmit orders related to one or more financial instruments and / or execute orders on behalf of clients, related academic title or degree or professional qualification and relevant experience means:

- Secondary education degree or an equivalent qualification or certificate
- Certificate of at least two years of study at a public or private institution of post-secondary education in a field related to economics or finance, including banking and finance, or business management (business administration), or accounting, or management information systems, or
- University or postgraduate degree or other equivalent qualification in a field related to the subjects of the preceding paragraph, or professional experience for at least one year in full-time occupation in the financial sector.

#### **9.5.4 Special Conditions for Head of Own Account Trading**

If the person will be dealing on own account, or manage client portfolios or provide investment advice or provide the service of underwriting or placing of financial instruments with or without a firm commitment basis related academic title or degree or professional qualification and relevant experience means:

- Secondary education degree or an equivalent qualification or certificate
- University or postgraduate degree or other equivalent qualification in a field related to economics or finance, including banking and finance, or business management (business administration), or accounting (accounting), or professional experience for at least ten (10) years in full-time occupation in the financial sector.

#### **9.5.5 Special Conditions for Compliance and Risk Management positions**

If the persons will be performing the following functions:

Compliance function in relation to the legislation, Compliance with the Prevention of Money Laundering and Terrorist Financing, Internal Audit and/or Risk management; relevant academic title or degree or professional qualification and relevant experience means:

- Secondary education degree or an equivalent qualification or certificate
- University or postgraduate degree or other equivalent qualification in a field related to economics or finance, including banking and finance, or business administration, or accounting and
- Professional experience for at least two years in full time occupation in the execution of at least one of the above functions.

#### **9.5.6 Diversity in management recruitment policy**

**Purpose:**

Easy Forex Trading Ltd is committed to fostering, cultivating and preserving a culture of diversity and inclusion and this must be taken into account when recruiting for management roles.

**Scope:**

In the case of replacements for senior management positions, a review of the previous job description takes place to see if the responsibilities need to be amended or absorbed into a current role.

**Policy:**

Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and company's achievement as well. The culture and promotion of our corporate diversity begins with our board of directors and those in key management positions.

We embrace and encourage our management's differences in age, color, disability, ethnicity, family or marital status, gender, language, national origin, race, religion, sexual orientation, and other characteristics that make our employees unique.

All management of Easy Forex Trading Ltd have a responsibility to treat both employees and candidates with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company-sponsored and participative events.

## 10. Remuneration Policy

The Board of Directors is responsible for determining an attractive remuneration policy for its current and potential employees. This policy is reviewed on an annual basis.

The Company remunerates its employees with a fixed and flexible salary component. The fixed component of the salary mainly reflects the seniority and experience of an employee. The flexible component of the remuneration is separated between two mechanisms: (1) bonus directly linked to the performance of an employee and (2) discretionary bonus linked to the evaluation of an employee by the management.



The mandate of the remuneration committee is to eliminate any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities. In particular, bonuses of any employees engaged in compliance, risk, financial, back office or administrative roles are not directly linked to the financial results of the Company.

Aggregate quantitative information on key management personnel remuneration for the year amounted to EUR 231,492.

It should be noted that the remuneration committee is not paid any amount for providing this service.

<b>The ratio between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU is 14.17</b>	
(i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;	Fixed EUR 216,242 and Variable EUR 15,250 Number of Employees 5
(ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;	All in cash

## 11. Application of External Ratings from Recognized ECAs

For the Group's exposure classes, the below external credit ratings have been applied.

<b>Credit Quality Step</b>	<b>Fitch's Assessments</b>	<b>Moody's Assessments</b>	<b>S&amp;P's Assessments</b>	<b>Maturity &lt; than 3 months</b>	<b>Maturity &gt; than 3 months</b>
<b>1</b>	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%
<b>2</b>	A+ to A-	A1 to A3	A+ to A-	20%	50%
<b>3</b>	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	20%	50%
<b>4</b>	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	50%	100%
<b>5</b>	B+ to B-	B1 to B3	B+ to B-	50%	100%
<b>6</b>	CCC+ and below	Caa1 and below	CCC+ and below	150%	150%

- Exposures to public sector entities.
- Exposures to institutions.
- Exposures to corporates.

## 12. SARS-CoV-2 Pandemic

The Company did not have any severe impact of the coronavirus disease, in terms of market developments, orderly functioning of execution of orders (e.g., order cancellations, delays, price feeding etc.), margin calls and systems resilience.

## EASY FOREX TRADING LTD

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**Disclosure and Market Discipline in Accordance with Capital Adequacy  
and the Requirements on Risk Management  
for the year 2020**

April 2021