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Independent Limited Assurance Report to the Cyprus Securities and Exchange Commission in respect of X Global Markets Limited for the year ended 31 December 2020 in accordance with paragraph 32(1) of Part II of the Directive DI144-2014-14 of the Cyprus Securities and Exchange Commission for the Prudential Supervision of Investment Firms, pursuant to Part Eight of regulation (EU) No. 575/2013.

1. We report in relation to the fair presentation of the Disclosures of X Global Markets Limited (the “Company”) for the year ended 31 December 2020, required by paragraph 32(1) of Part II of the Directive DI144-2014-14 of the Cyprus Securities and Exchange Commission for the Prudential Supervision of Investment Firms (the “Directive”), pursuant to Part Eight of the European regulation (EU) No. 575/2013 (the “Disclosures”). The Disclosures, which are set out on the Company’s website, are attached as an Appendix and have been initialed for identification purposes.

Respective responsibilities

2. The Company’s Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with the Directive. Our responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the Directive.

Scope of work performed

3. We conducted our work in accordance with International Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the Directive. Our evidence-gathering procedures are more limited in scope in order to express a limited level of assurance in our conclusion than would be the case in a reasonable assurance engagement. Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the requirements of paragraph 32(1) of Part II of the Directive pursuant to Part Eight of regulation (EU) No. 575/2013, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company’s Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

4. The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the limited assurance statement made below. Had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Conclusion

5. Based on our work described in this report, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2020 are not fairly presented, in all material respects, in accordance with the requirements of the Directive.

Other matter

6. Our report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing. This report relates only to the Disclosures required in accordance with paragraph 32(I) of Part II of the directive, pursuant to Part Eight of regulation (EU) No. 575/2013 and does not extend to any financial statements or other financial information of the Company.

A handwritten signature in blue ink, appearing to read "Aristidou", with a horizontal line drawn underneath it.

Moisis Aristidou
Certified Public Accountant and Registered Auditor
for and behalf of

Baker Tilly Klitou and Partners Ltd
Certified Public Accountants and Registered Auditors

Corner C Hatzopoulou & 30 Griva Digheni Avenue
1066 Nicosia
Cyprus

Nicosia, 14 July 2021



Pillar III

Risk management disclosures

For the year ended December 31st, 2020

Published: June 2021

X GLOBAL Markets Ltd

Regulated by Cyprus Securities and Exchange Commission, CIF licence 171/12

162 Franklinou Rousvelt, 1st and 2nd Floors, Limassol 3045, Cyprus

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1. Introduction

X GLOBAL HOLDING LTD (the “Group”) is a Cypriot Holding Group with registration number HE398738 and the holding Group of X GLOBAL MARKETS LTD. (the “Company”). X GLOBAL MARKETS LTD is a Cypriot Investment Firm (“CIF”) regulated by the Cyprus Securities and Exchange Commission (the Commission” or the “CySEC”) with license number 171/12 in line with the L. 87(I)/2017 LAW WHICH PROVIDES FOR THE PROVISION OF INVESTMENT SERVICES, THE EXERCISE OF INVESTMENT ACTIVITIES, THE OPERATION OF REGULATED MARKETS AND OTHER RELATED MATTERS (the “Law”).

Pursuant to Article 4(2) of the Regulation (EU) 575/2013 (the “Regulation” or “CRR”) the Company is categorised as “Full Scope” CIF with minimum/initial capital requirement of €730,000.

The Pillar 3 disclosure is a requirement of CRD IV, consisting of the Capital Requirements Directive (‘CRD’ or ‘Directive 2013/36/EU’) and the CRR, which is effective from January 1st, 2014.

The above has resulted to the respective amendments of the L. 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets 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.

Following the implementation of the above, the Group is required to disclose information relating to its capital as well as the risks that the Group is exposed to. These disclosures are for the year ended 31 December, 2020. The Group’s policy is to meet all required Pillar III disclosure requirements as detailed in the Capital Requirements Regulations (CRR).

This report is published and will be available on the Group’s websites at www.xglobalmarkets.com; <https://www.xglobalinvest.com>

1.1. Reporting Frequency

The Group’s policy is to publish the disclosures required on an annual basis. Should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements, the frequency of disclosure will be reviewed.

1.2. Verification

The Group’s Pillar 3 disclosures are subject to internal review and validation prior to being submitted to the Board for approval. This includes approval by the CEO, the Risk Manager, the Head of Accounting and External Auditor.

The Group’s Pillar III disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures, as detailed in Section 9 of this document, have been reviewed by the Board, which has responsibility of the Remuneration Policy in the absence of a Remuneration Committee.



1.3. Reporting Details

Having reviewed its Group structure as per the CySEC's Dear CEO letter, the relevant provisions of Directives DI144-2014-14 & DI144-2014-14(A) and CRR, the Group has concluded that it falls under consolidated supervision by CySEC. The Group reports on a Consolidated basis and the reporting currency is EUR.

1.4. Non Material, Proprietary or Confidential Information

This document has been prepared to satisfy the Pillar III disclosure requirements set out in the CRR. The Group does not seek any exemption from disclosure on the basis of materiality or on the basis of proprietary or confidential information.

2. Corporate Governance – Board and Committees

2.1. Board of Directors

The Board has overall responsibility for the business. It sets the strategic aims for the Group, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust.

The principal responsibilities of the Board, the Senior Management, the Internal Auditor, the Risk Management Committee and the Risk Management Function in relation to the management of the Company's risks are briefly described in the following subsections.

Board of Directors

The Board of Directors, which carries the ultimate responsibility for the approval of the ICAAP, has unequivocal responsibilities as regards the management of the Company's risks, their internal control and the Company's capital adequacy. With the Board is, at all times, lies the responsibility for defining the Company's risk profile in terms of its risk tolerance and for making the necessary arrangements so as for the Company to operate within this predetermined profile at all times, as well as regarding the adequacy of the Company's capital allocated in proportion to the nature and level of material risks and the respective capital requirements.

The Board holds meetings where the written reports generated by the internal control functions of the Company are reviewed and approved. The BoD is responsible to address any deficiencies identified throughout the said reports at the soonest possible, especially where there is a breach of the regulatory framework which could potentially harm the Company. The said control functions are the Risk Management, the Internal Audit, the Compliance Department and the Money Laundering Compliance Department. In this manner the Board remains up to date with the Company's position as regards the aforementioned functions.



Senior Management

The Senior Management reviews the written reports prepared by the internal control function of the company including the Risk Manager's report, applies the decisions of the Board with respect to risk management and monitors whether all the Company's risk management procedures are followed.

Risk Manager

The Risk Manager is responsible to identify, assess, quantify monitor and manage the Company's financial and non-financial risks ensuring that all the different types of risks assumed by the Company are in compliance with its obligations as those derive from applicable legislation and that all necessary risk management procedures are in place. Further, it is the responsibility of the Risk Manager to make recommendations and indicate whether the appropriate remedial measures have been taken in the event of any deficiencies identified.

Risk Management Committee

The Risk Management Committee ensures that the risks of the Company from the provision of investment and ancillary services to clients are efficiently managed, as well as any other risks underlying the operation of the Company. Moreover, the Committee bears the responsibility to monitor, the level of compliance by the Company and its relevant persons with the policies and procedures adopted in addition to the Company's obligations stemming from the relevant laws. Further it evaluates the adequacy and effectiveness of the risk management policies and procedures that are in place and the measures taken to address any deficiencies with respect to those policies and procedures, including failures by the Company's relevant persons to comply with those policies and procedures.

Internal Auditor

The Internal Auditor evaluates the adequacy and effectiveness of the Company's internal control systems, policies and procedures with respect to risk management. The Internal Audit function acts independently and is separated from the other functions and activities of the Company, with the Internal auditor being appointed by the Board of Directors and reports directly to the senior Management of the Company. The Internal Auditor is responsible for the application of an effective Internal Control System, and the performance at least on annual basis, of checks as these are required by the Internal Control System. The Internal Auditor is provided with access to the Company's personnel and books and any audit issues identified, are considered by the Board when these are presented to it through the appropriate reports.

2.2. Board Recruitment Policy

Recruitment of Board members combines an assessment of both technical capability and competency skills referenced against the Group's regulatory and operational framework. It seeks to resource the specific experience and skills needed to ensure the optimum blend (diversity) of individual and aggregate capability having regard to the Group's long term strategic plan.



The persons proposed for appointment to the Board should commit the necessary time and effort to fulfill their obligations. Prior to their appointment the proposed persons should obtain the approval of the Commission. Main factors influencing the decision to propose the appointment of potential Directors include:

- Integrity and honesty;
- High business acumen and judgement;
- Knowledge of financial matters including understanding of financial statements and important financial ratios;
- Knowledge and experience relevant to financial institutions;
- Risk Management experience; and
- Specialized skills and knowledge in finance, accounting, law, or related subject.

2.3. Policy on Diversity

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation.

For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age, cultural and educational background, for the Board appointments.

2.4. Number of Directorships Held by the Board Members

According to Section 9 of the Investment Services and Regulated Markets Law of 2017 there is a limitation to the number of directorships held by members of the Board of a CIF that is significant in terms of its size, internal organisation and in terms of the nature, the scope and the complexity of its activities. Thus, only one of the below listed combinations of maximum directorships that can be held simultaneously is allowed:

- One executive directorship with two non-executive directorships;
- Four non-executive directorships

We note that the Company is not Significant as defined by the current definitions by the regulator, thus the application of the above restriction is not applicable.

The number of executive and non-executive / independent directorships held with any entity by those who are also directors in the members of the group is listed below. It should be noted that Executive or non-executive directorships held within the same group shall count as a single directorship:

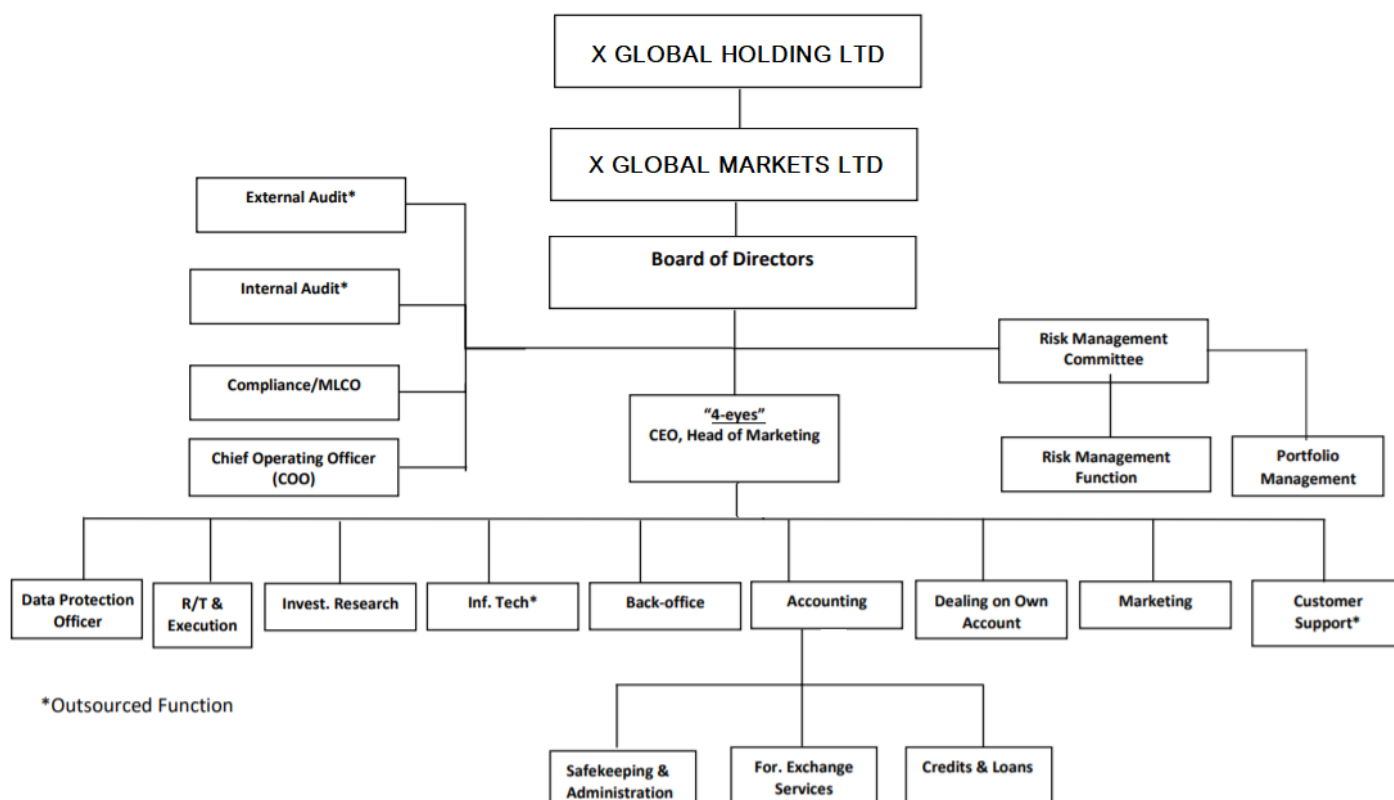


Full name of Director	Entity Name	Position/Title	# Executive	# Non-Executive	Country
Samir Dbouk	1. X GLOBAL HOLDING LTD 2. X GLOBAL MARKETS LTD	Executive Director (CEO)	2	0	Cyprus
Ali Dbouk	1. X GLOBAL HOLDING LTD 2. X GLOBAL MARKETS LTD	Executive Director	2	0	Cyprus
Alexander Eliades	X GLOBAL MARKETS LTD	Executive Director	1	0	United Kingdom
Wael Dergham	X GLOBAL MARKETS LTD	Non-executive Director	0	1	Lebanon
Stavros Petrakides	X GLOBAL MARKETS LTD	Non-executive Director	0	1	Cyprus
Panayiotis Damianou	X GLOBAL MARKETS LTD	Non-executive Director	0	1	Cyprus

2.5. Governance Committees

The Group due to the scale and complexity of the Operations of the Company has formed a Risk Management Committee to adequately monitor its operational effectiveness and its potential risks.

2.6. Organisational Structure



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3. Risk Management

There is a formal structure for monitoring and managing risks across the Group comprising of detailed risk management frameworks (including policies and supporting documentation) and independent governance and oversight of risk.

To ensure effective risk management the Group has adopted the “three lines of defense” model of governance with clearly defined roles and responsibilities.

First line of defense: Managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Group policies and where appropriate defined thresholds.

Second line of defense: The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Group’s risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Risk will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them.

Third line of defense: comprises the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

3.1. Risk Appetite

Risk Appetite limits the risks which the business can accept in pursuit of its strategic objectives. Risk Appetite is formally reviewed annually and is monitored on an ongoing basis for adherence. The Group’s strategy, business plan and capital and liquidity plans are set with reference to Risk Appetite considering for all business lines and legal entities within the Group.

The Board approves the Risk Appetite, which defines the level of risk that the Group is prepared to accept to achieve its strategic objectives and is translated into specific risk measures that are tracked, monitored and reported to the Board. The Risk Appetite framework has been designed to create clear links to the strategic long-term plan, capital planning, stress testing and the Group’s risk management framework. The review and approval process is undertaken at least annually. The Group’s Risk Appetite covers three core areas, financial risk, reputational risk and operational risk.

The Board approves the Group’s business plans, budget, Internal Capital Adequacy Assessment Process (the “ICAAP”) and also monitor’s the Group’s risk profile and capital adequacy position.



3.1.1. Risk Identification

The Risk Identification process provides guidance on the sources to investigate and research in order to identify new and emerging risks and sets out consistent principles, which should be applied.

3.1.2. Risk Assessment

The Risk Assessment process is the means through which the Group understands and estimates the effect of risk on the business lines and the processes, systems and controls that mitigate those risks to an acceptable level. This is achieved through the documentation and regular update of a detailed Risk Register /Map where all financial and non-financial risks the Group faces are identified and recorded by the Risk Manager as well as the relevant risk management controls. The Risk Register is discussed and finalised during the Risk Management Committee's meetings.

3.1.3. Risk Management Function

The Risk Management Function (the “RMF”) operates under the leadership of the Risk Management Officer (the “RMO”) who reports directly to the Senior Management and the Board. The Risk Management function comprises by individuals with specific expertise and is structured to provide analysis, challenge, understanding and oversight of each of the principal risks faced by the Group.

3.1.4. Stress Testing

Stress Testing is the process by which the Group's business plans are subjected to severe stress scenarios in order to assess the impact of those potential stresses on the Group's business including the projected capital and liquidity positions.

The Group is required to prepare and make available upon request periodic ICAAP reports which set out future plans, their impact on capital availability and requirements and the risks to capital adequacy under potential stress scenarios.

3.1.5. ICAAP and Approach to assessing adequacy of Internal Capital

In order to evaluate the risks that are not covered by capital requirements (Pillar 1), and according to Pillar 2 requirements the Group is implementing the ICAAP procedure. The ICAAP process considers all of the risks faced by the Group, the likely impact of them if they were to occur, how these risks can be mitigated and the amount of capital that it is prudent to hold against them both currently and in the future.

The Group performs a full ICAAP annually with approval provided by the Board. For this purpose, all departments of the organization will complete the Risk Records Charts. After the evaluation of the complete Risk Records charts, Risk Manager creates a Risk Register with Assessments. Financial department prepare Business Plans and Capital Plans for next 3 years based on rolling P&L and Balance Sheet. Risk Manager implements Stress Test of the



Capital Plan, based on “What if” approach in each department of the Company. All stress tests are then summarized by the Risk Manager, assessed, identified and submitted as a “Stress Test Register” to Risk Committee and to ICAAP Committee. Financial department prepares stress tests on the Capital Plan based on Stress Test Register. Financial department prepares Budget of the Group, based on stress tested Capital Plan. Financial department compares the calculated Capital Plan and stress tested Capital Plan: Pillar I Risks + Pillar I uncovered Risks + Pillar II Risks.

These measures allow the Management to evaluate Gap Analysis (what we have at hands and what we should have), and to create Action Plan to monitor and mitigate the consequences of the risks in order to make the Board of Directors to be able to assess and approve Action Plan along with outcomes of ICAAP.

3.1.6. Control Functions

3.1.6.1. Internal Audit

The Group, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, establishes and maintains an internal audit function through the appointment of a qualified and experienced Internal Auditor.

The Internal Auditor is appointed and reports to the Senior Management and the Board of the Company. The Internal Auditor is separated and independent of the other functions and activities of the Company. The Internal Auditor bears the responsibility to:

- (a) establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Group’s systems, internal control mechanisms and arrangements
- (b) issue recommendations based on the result carried out in accordance with point (a)
- (c) verify compliance with the recommendations of point (b)
- (d) provides timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Group, at least annually.

The Internal Auditor is responsible for applying the Internal Control System (hereinafter, the “ICS”), which confirms the accuracy of the reported data and information. Furthermore, the role of the Internal Auditor is the programming, on an at least annual basis (as applicable), of checks on the degree of application of the required ICS.

The Internal Auditor has clear access to the Group’s personnel and books. Likewise, the Group’s employees have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided.

The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions shall be taken. The Board ensures all issues are dealt with and prioritised according to the Board’s assessment.



3.1.6.2. Compliance Officer

Pursuant to the regulatory obligations of the Company and with the view to complement the Internal Governance framework of the Group, the Board has appointed a Compliance Officer, to head the Compliance Function of the Company in order to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Group to comply with its obligations, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively.

The Compliance Officer is independent and reports directly to the Senior Management of the Group, having at the same time the necessary authority, resources, expertise and access to all relevant information.

The Compliance Officer is responsible, inter alia, to:

- a) liaising with all relevant business and support areas within the Group
- b) to monitor on a permanent basis and to assess, on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the firm's compliance with its obligations;
- c) monitoring and assessing the level of compliance risk that the Group faces, taking into account the investment and ancillary services provided, as well as the scope of financial instruments traded and distributed
- d) monitoring the adequacy and effectiveness of the measures and procedures of the Group
- e) advising and assisting the relevant persons responsible for carrying out the investment services to be in compliance with the Law

3.1.6.3. Anti-Money Laundering Compliance Officer

The Board retains a person to the position of the Group's Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Group's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The AMLCO belongs to the higher hierarchical levels/layers of the Group so as to command the necessary authority. The AMLCO leads the Group's Anti-Money Laundering Compliance procedures and processes and report to the Senior Management and the Board of the Group. Scope and objectives of the AMLCO:

- a) The improvement of mechanisms used by the Group for counteraction of legalization (laundering) of criminally earned income
- b) To decrease the probability of appearance among the Customers of the Group of any persons/organizations engaged in illegal activity and/or related with such persons/organizations
- c) To minimize the risk of involvement of the Group in any unintended holding and realization of operations with any funds received from any illegal activity or used for its financing
- d) To ensure compliance with anti-money laundering laws and directives issued by CySEC as well as the identification and proper reporting of any money laundering activity to the relevant authorities.



3.1.7. Information flow on risk to the management body

Risk information flows up to the Board directly from the business departments and control functions. The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Anti-Money Laundering and Terrorist Financing and Risk Management, Risk and Investment Committees (where applicable) and approves the Group's ICAAP report

Furthermore, the Group believes that the risk governance processes and policies are of utmost importance for its effective and efficient operation. The processes and policies are reviewed and updated on an annual basis or when deemed necessary and are approved by the Board.

3.2. Board Declaration - Adequacy of the Risk Management Arrangements

The Board of Directors is ultimately responsible for the risk management framework of the Group. The risk management framework is the totality of systems, structures, policies, processes and people within the Group that identify, assess, mitigate and monitor all internal and external sources of risk that could have a material impact on the Group's operations.

The Board is responsible for reviewing the effectiveness of the Group's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Group's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

3.3. Board Risk Statement

Considering its current nature, scale and complexity of operations, the Group has developed a policy that establishes and applies processes and mechanisms that are most appropriate and effective in monitoring activities.

The Outbreak of Covid-19 in 2020 has created an unrepresented challenge to the global economy similar to the one of the latest economic recession. At the same time there was an increase in terms of grade which was due to ensuring staff welfare, change of procedures with a move to work from home and unfortunate required decrease in workforce.

The Group has taken all necessary steps and adapted its business model to ensure that its employees have access to its technology infrastructures necessary for the completion of their tasks. It has further amended its Business Continuity Plan and monitors closely the financial impact of the pandemic

The aim is to promptly identify, measure, manage, report and monitor risks that interfere with the achievement of the Group's strategic, operational and financial objectives. The policy includes adjusting the risk profile in line with the Group's stated risk tolerance to respond to new threats and opportunities in order to minimize risks and optimize returns.



Risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. Risks are assessed systematically and evaluated as to the probability of a risk scenario occurring, as well as the severity of the consequences should they occur.

The following table sets out a number of key measures used to monitor the Group's risk profile:

Risk Area	Metrics	Comment	Measure as at 31/12/20
Capital	Core Equity Tier1 (CET1), Tier 1 and Total capital ratio	The Group's objective is to maintain regulatory ratios well above the minimum thresholds set by CySEC. It therefore aims to maintain its capital ratios at least 2% points above the required level (regulator's current limit is 8% plus 2.5% buffers).	CET1: -10.19%* Tier1: -10.19% Total capital ratio: -10.19%
Liquidity	Cash Ratio	The Group aims to keep its Cash Ratio i.e. (Cash & Cash Equivalents/Current Liabilities) at values exceeding 1.0.	Cash Ratio: 0.13
Credit Risk	Exposure to single financial institution	The Group's objective is to minimize the potential loss from counterparties. It thus aims to limit its exposure to a single financial institution at levels of 80% of its overall cash positions or less.	Current exposure: 78.16%

* See section 11.1 below

4. Market Risk

Market risk is the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets. Fluctuating risk drivers resulting in market risk include:

- Equity market prices;
- Commodities market prices;
- Interest rates; and
- Currency exchange rates.



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The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. It strives to maximize the economic risk-adjusted excess return of assets relative to the liability benchmark taking into account the Group's risk tolerance as well as regulatory constraints.

The Group is not exposed to any risks resulting from real estate or capital markets. It may, however, be exposed to price fluctuations on Commodities, equity securities and Currency risk, that is, the risk of loss resulting from changes in the exchange rates of various currencies in three ways:

- a. It may receive income in a currency other than Euro, which is its base currency;
- b. It may have expenses denominated in a currency other than Euro; and
- c. It may have deposits denominated in another currency other than Euro.
- d. It may hold clients' exposures through the maintenance of a trading book as the Company holds a Dealing on Own account license; and
- e. It may engage in Proprietary trading with Company's own funds as it holds the relevant license

The Group has policies in place to monitor and manage such risks through the implementation of appropriate techniques that include hedging strategies, and determination of internal exposure limits.

The capital requirements of the Group corresponding to market risk are calculated through the implementation of the Standardised Approach and are presented below

	Exposure to market risk 2020 (€000)	
	Consolidated	Solo
Currencies other than the reporting currency of the Company	1,691	1,505
Commodities	0	0
Equities	0	0
Total	1,691	1,505

5. Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. Generally, credit risk can be derived from the following areas:

- Cash and cash equivalents;
- Debt securities;
- Receivables; and
- Derivatives.



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The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, the Group uses the ratings assigned by external rating agencies to that counterparty and where not possible the country ratings assigned to the jurisdiction the counterparty maintains its base. This is primarily emphasized on the credit institutions where the Group maintains its corporate and clients' accounts.

The Group is exposed to the credit risk arising from cash and cash equivalents, as it has a significant exposure with a Third Country Bank. In order to mitigate risks related to cash and cash equivalents, the Group utilizes European and third Country Banks with lower default risks. In addition, the Group reviews a list of acceptable cash counterparties based on current ratings and outlook, taking into account analysis of fundamentals and market indicators.

Exposures to institutions of a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk weight that is one category less favorable than the preferential risk weight, as described in Article 114(4) to (7) of the CRR, assigned to exposures to the central government in which the institution is incorporated in accordance with Table 1 below.

Table 1						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	0%	20%	50%	100%	100%	150%

Exposures to Member States' central governments and central banks denominated and funded in the domestic currency of that central government and central bank shall be assigned a risk weight of 0%.

According to Article 119 of the CRR, exposures to institutions for which a credit assessment by a nominated ECAI is available shall be risk-weighted in accordance with Tables 2 and 3 below.

Table 2 - Exposures to institutions with a residual maturity of more than three months:

Table 2						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	50%	50%	100%	100%	150%

Table 3 - Exposures to an institution of up to three months residual maturity:

Table 3						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	20%	20%	50%	50%	150%

Exposures to institutions for which a credit assessment by a nominated ECAI is not available shall be assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned in accordance with Table 4.



Table 4						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	50%	100%	100%	100%	150%

Given the above, the Group uses a nominated ECAI to derive to the following Risk weighted exposure on Cash and cash equivalents of residual maturity of up to 3 months and of residual maturity of more than 3 months.

For exposures to unrated institutions with an original effective maturity of 3 months or less, the risk weight assigned is 20% in accordance with Article 121(3).

Credit Quality Steps	Risk Weight			Moody's Credit Rating	Exposure amount			Risk weighted
					€000	€000	€000	€000
	Less than 3 months maturity	More than 3 months Rated	More than 3 months Unrated		Less than 3 months maturity	More than 3 months Rated	More than 3 months Unrated	
CQS1	0%	20%	20%	Aaa to Aa3	-	-	-	-
CQS2	20%	50%	50%	A1to A3	231	-	-	46
CQS3	50%	50%	100%	Baa1to Baa3	-	-	-	-
CQS4	100%	100%	100%	Ba1 to Ba3	-	-	-	-
CQS5	100%	100%	100%	B1 to B3	108	-	-	108
CQS6	150%	150%	150%	Caa1 and below	-	-	-	-
Total Risk								154

5.1. Maximum Exposure to Credit Risk

The table below shows the maximum exposure to credit risk

	Exposure to credit risk 2020 (€000)		Risk weight 2020 (€000)	
	Consolidated	Solo	Consolidated	Solo
Risk weighted assets:				
Cash	339	339	154	154
Fees Receivable & Other Assets	3,053	476	3,053	476
Retail	19	19	5	5
Fixed Assets	121	121	121	121
Total risk weighted assets	3,532	955	3,333	756



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6. Operational Risks

Operational risk is defined as the risk of a direct or indirect impact resulting from human factors, inadequate or failed internal processes and systems, or external events. Operational risk includes, inter alia, actual and/or potential losses caused from deficiencies in the Group's set-up of operations, including but not limited to, system integrity and reliability, employee fraud, weaknesses in personnel appointment, organizational structure and internal communication inefficiencies.

The Group's exposure to operational risk is limited to the extent of its current scale and complexity. The Group has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk. Overall planning, coordination, and monitoring is centralized, however, most operational risks are managed within the departments in which they arise.

In addition to its overall framework, in order to mitigate operational risks, the Group has specific processes and systems in place to focus continuously on high priority operational matters such as information security, managing business continuity and combating fraud.

Following the recent implementation of the Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 on prudential requirements for credit institutions and investment firms and the amendment of the Regulation (EU) No. 648/2012 ('the Regulation'), the amendments in the Investment Services and Activities and Regulated Markets Law (October 30, 2017) and the issuance of Directives DI2014-144-14 and DI2014-144-15, pursuant to Article 4(2) of the Regulation (EU) 575/2013 (the "Regulation" or "CRR") the Company is categorised as "Full Scope" CIF with minimum/initial capital requirement of €730,000

The Group calculates its capital requirements for operational risk using the Basic Indicator Approach. Based on the audited figures, where applicable, of the Company for the last three years, (2020, 2019, 2018) the total risk weighted exposure with respect to Operational Risk is EUR 1,342,000 which requires a capital of EUR 107,000.

In addition, for 2020 further operational risks related to COVID-19 have manifested themselves through processes, and people:

- Processes such as decision-making arrangements, reporting lines, communication processes;
- people-related issues that would include employee work-health arrangements; implementing protective; health measures within the Group premises; in-house basic medical facilities; proper training; and the provision of health informational materials.
- The risks include potential future legal consequences associated with the Group actions or inaction.



7. Other Risks

7.1. Liquidity Risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The Group's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Group monitors and manages its liquidity needs on an ongoing basis. The Group also ensures that it has sufficient cash on demand to meet expected operational expenses. It also monitors the Group's exposures and diversification avoiding high concentration risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Currently the Group is not subject to any liquidity risk as it maintains own funds in cash deposits with reputable institutions and its liquidity (or cash ratio) and own fund ratios are extremely high.

7.2. Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Group to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans; or
- Unexpected changes to assumptions underlying strategic plans.

Risk considerations are a key element in the strategic decision-making process. The Group assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

7.3. Reputation Risk

Reputational risk can arise from direct Group actions or by actions of third parties that it may or may not have a relationship with. Such Group actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumors and unsubstantiated information.

The Group strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Group, which includes integrity and good business practice. The Group centrally manages certain aspects of reputation risk, for example communications, through functions with the appropriate expertise. It also places great emphasis on the information technology security which is one of the main causes of such reputational risk manifestation.



7.4. Business Risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Group's exposure to business risk. These are analyzed and taken into consideration when implementing the Group's strategy.

7.5. Capital Risk Management

This is the risk that the Group will not comply with capital adequacy requirements. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Group is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Group.

The Group is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Group as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of Group's Management Accounts to monitor the financial and capital position of the Group.

7.6. Regulatory Risk

This may arise as a result of negligent actions by the Group's Senior Management and / or staff members, and may lead to fines, loss of license and / or other form of disciplinary action by the regulatory authority. As a result, the Group's reputation will be adversely affected.

The Group maintains strong compliance / internal audit departments, which perform frequent inspections on the Group's processes and procedures. Should a non-compliance issue arise, all appropriate measures are immediately taken to rectify the issue. Both the compliance officer and the internal auditor are qualified and well trained and remain abreast with any new regulatory developments. The potential of such risk arising is considered low.

7.7. Legal and Compliance Risk

The Group may, from time to time, become exposed to this type of risks, which could manifest because of non-compliance with local or international regulations, contractual breaches or malpractice.



The probability of such risks manifesting is relatively low due to the detailed internal procedures and policies implemented by the Group and regular reviews performed by the compliance officer. Additionally, the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Group's strategic targets and goals. In addition, the Board meets regularly to discuss such issues and any suggestions to enhance compliance are implemented by management. From the Group initiation until the date of this report no legal or compliance issues arose. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that the Group is always compliant with them.

7.8. Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc. The Group offers and intends to continue offering its services to a large number of EU and third countries/markets for which favourable legal, opinions have been secured, targeting both retail and professional clients. The Company currently bears some degree of concentration risk which is expected to be mitigated as the Company grows slowly but steadily.

7.9. Information Technology Risk

Information technology risk could occur because of inadequate information technology security, or inadequate use of the Group's information technology. For this purpose, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, as well as use of both hardware and software intrusion aversion measures such as (but not limited to) firewalls, anti-virus software, use of security keys, access restrictions, network fencing, and encryption techniques. Materialization of this risk has been minimized to the lowest possible level given the Group's current complexity of its operations and the services it offers to its clients.

7.10. Portfolio Management Related Risk

The Group is authorised to provide the investment service of portfolio management which creates exposure to risk. This risk is comprised of several material sub risks, as presented below:

- Preferential treatment of specific clients
- False presentation of portfolio performance
- Delay in providing clients with an analytical statement of holdings
- Churning of the clients' accounts in order to benefit from trading commissions and/or spreads
- Use of material non-public information to purchase/sell CFDs on shares for a client's portfolio
- Portfolio manager or other company employee to be the counterparty in a client transaction



Frequent sample checks are conducted by the Group's Compliance Officer and also the Internal Auditor aiming (1) to verify the priority of transactions related to managed accounts and (2) to determine whether there are consistent patterns that seem to benefit specific clients.

Further to the above, clients receive an account statement from the Group with all transactions performed along with the prevailing floating profits and/or losses per transaction and a statement of their current holdings is also sent in a prompt and accurate manner. Such account statements are generated automatically by the Group's systems to which each managed account's manager has limited access; hence, possibility of false presentation is essentially immunized. The Group's Compliance Officer ensures that such statements are being submitted at least on a monthly basis to each client.

"Churning" is strictly prohibited, and the turnover of client portfolios is monitored by the Compliance Officer and any unusually high turnover is always investigated with relevant findings being reported to the board of directors. The Group maintains a restricted or watch list where the Group or the portfolio manager place any financial instruments that are related to any material non-public information, the Group or the Portfolio manager might hold; the Compliance Officer is responsible to monitor transactions on an ex-post basis in order to identify potential trading in restricted instruments. In the case of an important announcement related to a company the compliance officer checks if there was any abnormal trading activity prior to such an announcement.

In the unlikely event that any person working with the Group or is related to the portfolio manager(s) happens to be the counterparty to a transaction, the portfolio manager is responsible to inform the client prior to such transaction. The Compliance Officer checks all transactions and identifies those for which the Group acts both as a buyer and a seller. In such circumstances, he inspects the transactions to see if there was any breach in relevant procedures and applicable laws and regulations and reports such breach directly to the board of directors. Apart from the efficient implementation of the aforementioned mechanisms, allocation of additional capital towards exposure to such risk (within the context of the Group's internal risk assessment) is included under exposure to Legal and Compliance Risk.



8. Leverage Ratio

The leverage ratio is a new monitoring tool which will allow the competent authorities to assess the risk of excessive leverage in their respective institutions. According to the CRR, the investment firms have to report all necessary information on the leverage ratio and its components.

According to the CRR, the requirement for institutions to start disclosing the leverage ratio from 1 January 2015, depends on the category of the institution. Please refer to the table below.

ANNEX VI – Summary of reporting requirements

Category	Minimum initial capital	Form 144-14-06.1	Form 144-14-07	Form 144-14-08.1	Form 144-14-08.2	Form 144-14-08.3	Form 144-14-09
Full scope ¹	€730.000	submit	submit	submit	submit	submit	Submit
Under art. 95(1) of CRR ²	€125.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	exempted
Under art. 95(2) of CRR ³	€50.000	Submit (calculation based on FOH)	exempted	exempted	exempted	exempted	exempted
Under art. 96(1) (a) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Under art. 96(1) (b) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Exempted under art. 4(1) (2) of CRR ⁴	€50.000	exempted	exempted	exempted	exempted	exempted	exempted

For the Calculation of the leverage ratio of the Group the fully phased in definition of Tier 1 capital is used. As at 31st of December 2020, the leverage ratio of the Group was equal to 0.01% whilst the leverage ratio of the CIF was equal to 86.47%

9. Remuneration Policy

The purpose of the Group's Remuneration Policy is to ensure the consistent implementation of the MiFID conflicts of interest and conduct of business requirements in the area of remuneration.

The remuneration policy and practices of the Group are designed in such a way to avoid exposing the Group into excessive or undue risks. Moreover, they are targeted to avoid creating incentives that may lead relevant persons to favor their own interest, or the firm's interests, to the potential detriment of clients. The Group has set up adequate controls for compliance with the regulatory requirements on the remuneration policy and practices. The controls are implemented throughout the Group and subject to periodic review. These address all relevant factors such as:

- the role performed by relevant persons;



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- the type of products offered;
- the methods of distribution;
- the fixed and variable components of the total remuneration are appropriately balanced; and
- appropriate criteria to assess the performance of relevant persons (financial (quantitative) and non-financial (qualitative) criteria).

The Board of Directors is responsible for determining and approving the Group's remuneration policy and practices. The Board of Directors is also responsible to monitor the Group's compliance towards the approved policy and to identify and work towards any deficiencies. The Board of Directors meets at least once a year, and whenever the need arises, to discuss issues and to reformulate the policy where this is necessary on account of changes and developments, whether internal to the Group or external in its market environment. Any changes in the Group's remuneration policy can be brought about only as a result of a decision of its Board of Directors.

The Group's annual remuneration to senior management and staff members for 2020 was as follows:

	Total Remuneration for 2020 €000
Senior Management	151
Other staff members	49
Total Remuneration	300

10. Capital Base

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Group to absorb losses. The Group is required to hold own funds in sufficient quantity and quality in accordance with CRD IV which sets out the characteristics and conditions for own funds.

The Group throughout the year under review managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities. During the year under review, the Group complied fully with its capital requirement (i.e. €730,000) and fulfilled its obligations by successfully submitting, on a quarterly basis, the CRD IV CoRep Forms.

Tier 1 & Tier 2 Regulatory Capital

Institutions shall disclose information relating to their own funds. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution. In this respect, the Group's Tier 1 capital is wholly comprised of Common Equity Tier 1 Capital and other reserves.

At 31st of December 2020 the Capital base of the Group was as follows:



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	Capital Base 2020 €000 (CIF -Solo)	Capital Base 2020 (€000) Consolidated
Share Capital	365	0
Retained Earnings	(856)	(856)
Share Premium	1,284	0
Profit attributable to owners of the parent	57	206
Other Reserves	77	77
Deductions from CET 1 Capital	(76)	(76)
Common Equity Tier 1 Capital Total	851	(649)
Additional Tier 1 Capital	0	0
Tier 2 Capital	0	0
Total Own Funds	851	(649)

11. Capital Adequacy

Based on the CIF's authorization, quarterly Capital Adequacy Reports are prepared and submitted to the CySEC by the Group. The Capital Adequacy Reports is prepared on a consolidated basis and the reporting currency is Euro.

It should be noted that the Group does not have any material Crypto-asset holdings and the risks emanating from trading in crypto assets, and/or in financial instruments relating to crypto assets for its own account or for its clients is immaterial. Therefore, no information is included in this report on:

- the exposure amounts of different crypto-asset exposures,
- the capital requirement for such exposures and
- the accounting treatment of such exposures.

11.1. Capital Requirements

The primary objective of the Group's capital management is to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and maximize shareholders' value.



According to the Regulation and the Law, the minimum capital adequacy ratio is 8% plus 2.5% buffer and the minimum own initial capital is €730 thousand. As at 31 December, 2020, the Group's total risk exposure amount was €6,366 thousand resulting in a capital adequacy ratio of -10.19 %, lower than the minimum required ratio. The Group's total eligible capital was €-863 thousand, well below the minimum threshold.

Additionally, the Group's total eligible capital stated above cannot cover the Operational Risk Requirement of €107 thousand.

	Capital Base 2020 €000 (CIF -Solo)	Capital Base 2020 €000 (Consolidated)
<i>Total Capital (Own Funds)</i>	<i>851</i>	<i>-649</i>
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	756	3,333
Total risk exposure amount for settlement/delivery	0	0
Total risk exposure amount for position, foreign exchange and commodities risks	1,505	1,691
Total risk exposure amount for operational risk (OPR)	1,342	1,342
Additional risk exposure amount due to fixed overheads	0	0
Total risk exposure amount for credit valuation adjustment	0	0
Total risk exposure amount related to large exposures in the trading book	0	0
Other risk exposure amounts	0	0
<i>TOTAL RISK EXPOSURE AMOUNT</i>	<i>3,603</i>	<i>6,366</i>
<i>CET1 Capital ratio</i>	<i>23.62%</i>	<i>-10.19%</i>
<i>T1 Capital ratio</i>	<i>23.62%</i>	<i>-10.19%</i>
<i>Total capital ratio</i>	<i>23.62%</i>	<i>-10.19%</i>

Under the Law, Own Funds consists mainly of paid up share capital, retained earnings less any proposed dividends, translation differences, investor compensation fund and un-audited current year losses. Current year profits are not added to own funds unless these are audited.



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Following the above results, the Company has informed the Regulator and has Committed to take the necessary actions bringing its regulatory thresholds to acceptable limits by the end of September 2021.

Publication of disclosures

According to the CySEC Directive, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC. The Group has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. Verification of these disclosures have been made by the external auditors and sent to CySEC.



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