



DISCLOSURES & MARKET  
DISCIPLINE REPORT IN  
ACCORDANCE WITH PILLAR 3 OF  
BASEL III  
FOR THE YEAR ENDED 31  
DECEMBER 2020

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## 1. SCOPE OF THE DISCLOSURES REPORT

This Report has been prepared in accordance with the relevant provisions of:

- Law 87(I)/2017, which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters, as amended (hereinafter, the “Law”).
- The Capital Requirements Directive /Directive 2013/36/EU on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
- The Capital Requirements Regulation/Regulation 575/2013 on prudential requirements for credit institutions and investment firms and the amendment of the Regulation (EU) No. 648/2012 (‘the Regulation’).
- Directive DI144-2014-14 and DI144-2014-14(A) of the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) for the Prudential supervision of Investment Firms
- Directive DI144-2007-05 of CySEC for the Capital Requirements of Cyprus Investment Firms (CIFs), which provides guidelines on the obligation of public disclosure of information by CIFs.
- Basel III Legal Framework.
- The Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007-2018 as amended and the relevant Directives and Circulars issued thereof by the Cyprus Securities and Exchange Commission (hereinafter “CySEC”).

This Report is prepared annually and is available in electronic format on the Company’s official website at [www.trade360.com](http://www.trade360.com). A hard copy is available for collection upon request.

The Capital Requirements Directive IV regulatory framework, consisting of the Capital Requirements Directive (“CRD” or Directive 2013/36/EU) and the Capital Requirements Regulation (“CRR” or Regulation (EU) No 575/2013) is applicable since 1 January 2014. The CRD IV package comprises the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union’s legal framework. The CRD IV package is the framework for implementing Basel III in the European Union. Basel III was developed by the Basel Committee on financial institution supervision in response to the global financial crisis.

Basel III comprises of three Pillars:

- Pillar 1 – Minimum capital requirements
- Pillar 2 – Supervisory review process
- Pillar 3 – Market discipline

**Pillar 1** sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk faced by a financial institution.

**Pillar 2** includes rules to ensure that adequate capital is in place to support any risk exposures and requires appropriate risk management, reporting and governance policies. This pillar requires firms and supervisors to take a view on whether a firm should hold additional capital against risks considered under Pillar 1 that are not fully captured by the Pillar 1 process, those risks not taken into account by the Pillar 1 process and factors external to the firm (e.g., business cycle effects). Pillar 2 connects the regulatory capital requirements to the CIF's internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures.

**Pillar 3** provides disclosures requirements to enable market participants to understand the risk profile of the financial institution, to assess key information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the institution.

## 2. COMPANY INFORMATION

Crowd Tech Ltd (the "Company") is a Cyprus Investment Firm ("CIF") licensed by CySEC on 14 June 2013 with license number 202/13. Its registered address is 116 Gladstonos, M. KYPRIANOU HOUSE, 3rd & 4th Floor, 3032, Limassol, Cyprus. The year under review was the 6<sup>th</sup> year that the Company had activated its CIF license (in March 2014).

### 2.1.Key Business Activities

During the year under review, the Company was authorised to provide both investment and ancillary services. The Company provides the following investment services:

- a. Reception and transmission of orders in relation to one or more financial instruments,
- b. Execution of orders on behalf of clients.

Further to the above, the ancillary services that the Company was authorised to provide were the following:

- a. Safekeeping and administration of financial instruments, including custodianship and related services,
- b. Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction,
- c. Foreign exchange services where these are connected to the provision of investment services.

The above investment and ancillary services were provided in relation to the following financial instruments:

- a. Transferable securities.

- b. Money-market instruments.
- c. Units in collective investment undertakings.
- d. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
- e. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
- f. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF.
- g. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point (f) above and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls.
- h. Derivative instruments for the transfer of credit risk.
- i. Financial contracts for differences.
- j. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in the financial instruments listed in this section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls.

### **Cross-Border Activities**

Further to the above, during the year under review, the Company provided cross border investment services/activities in the territories of the European Economic Area (EEA) as per the passporting rights laid down in Directive 2014/65/EU. In this respect, the Company offered their services in Austria, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and United Kingdom. Moreover, the Company did not provide any investment services/activities in the territories of any other third countries.

### **Branches & Tied Agents**

The Company maintains a Tied Agent in Poland and has no branches, representative offices or any other establishment in a Member State or third country.

### **Subsidiaries**

Further to the above, during 2020, the Company set up two (2) subsidiaries in EEA, one (1) in the Czech Republic and one (1) in Poland.

#### **2.2. Reporting Obligations**

Financial reporting is performed on a solo basis.

The Company's financial statements for 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS), under the historical cost convention and the provisions of the Cyprus Company Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries do not constitute a large sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2020.

### **3. EXECUTIVE SUMMARY**

The Company implements an adequate risk management program, in relation to its risk tolerance and business profile and the identified categories of risk. The Company is operating an overall effective control environment comprising the following three levels and lines of defense: 1) Senior Management of the Company; 2) Compliance and Risk Management Functions; and 3) Internal and External Audit (outsourced).

All three lines of defense report directly to the Board, thus constituting the Board as the Company's fourth line of defense. Non-Executive Board members comprise the Company's Risk Management Committee together with the Risk Manager of the Company (with non-voting rights).

The Company could potentially be exposed to a variety of risk types, including but not limited to Capital Risk, Currency Risk, Credit Risk, Market Risk, Operational Risk, Credit Concentration Risk, Liquidity Risk, Business Risk, Compliance Risk, AML Risk, Reputational Risk, Information Technology Risk, Internal Audit Risk, Strategic Risk, Group Risk, Political Risk, Conduct Risk, and Third-Party Risk.

The Company maintains adequate policies and procedures to address these risks, including Remuneration Policy, Internal Procedures Manual, Anti-Money Laundering Procedures Manual, Business Continuity and Disaster Recovery Plan, Conflict of Interest Policy, Personal Transaction Policy, Handling Credit Offers Policy, and Information Security Policy.

The Company maintained adequate capital adequacy and own funds ratios during the year under review, while its exposures are considered to be insignificant. The Company continuously monitors its capital adequacy ratios to ensure that it maintains adequate capital and liquidity. The Company aims to always maintain a high capital adequacy ratio well above the required minimum.

## **PART A: RISK MANAGEMENT OBJECTIVES & POLICIES**

### **4. RISK DECLARATION & RISK STATEMENT**

The Company's Board of Directors (hereinafter "the Board") is ultimately responsible for the risk management framework of the Company. The Board provided a declaration on the adequacy of the Company's risk management arrangements and provided assurances that the risk management systems in place are adequate in relation to the Company's strategy and risk profile. This is provided in Annex I.

The Board has also unanimously approved the Company's Disclosures Policy.

### **5. THE COMPANY'S APPROACH TO RISK MANAGEMENT**

Managing risk effectively in a multidimensional organisation, operating in a continuously changing risk environment, requires strong risk management principles. As a result, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company identifies and manages its risks adequately, establishes the necessary policies and procedures, sets and monitors relevant limits within the regulatory prescribed approaches and complies with the applicable legislation. The Company is committed to implementing a strong and effective risk management program.

As at 31<sup>st</sup> December 2020, the members of the Company's Board of Directors and Senior Management were the following:

- i. Mr. Lakis Agathocleous acting in the capacity of Executive Director and Managing Director of the Company;
- ii. Mr. Fotis Fotiou acting in the capacity of Executive Director and Chief Financial Officer of the Company;
- iii. Mr. Petros Zachariades in the capacity of Non-Executive Director of the Company;
- iv. Mr. Andreas Cleanthous acting in the capacity of Independent Non-Executive Director of the Company; and
- v. Mr. Aristos Christofides acting in the capacity of Independent Non-Executive Director of the Company;



The Company is operating an overall effective control environment comprising the following three levels and lines of defense:

- Senior Management of the Company;
- Compliance and Risk Management Functions; and
- Internal and External Audit (outsourced).

The above control environment protects the Company's regulatory status, operations and competency in relation to the provision of investment and ancillary services. All three lines of defense report directly to the Board, thus constituting the Board as the Company's fourth line of defense.

The principal responsibilities of the Board, the Senior Management, the Internal Auditor, the Risk Management Committee and the Risk Manager function in relation to the management of the Company's risks include the following:

- The Board provides overall risk management supervision and bears the ultimate responsibility for the Company's risk management. During its meetings, it reviews and discusses the written reports prepared by the Risk Manager and identifies the risks faced by the Company.
- The Company's Senior Management also reviews the written reports prepared by the Risk Manager, applies the decisions of the Board with respect to risk management and monitors whether all the Company's risk management procedures are followed.
- The Internal Auditor evaluates the adequacy and effectiveness of the Company's internal control systems, policies and procedures with respect to risk management.
- The Risk Management Committee, *inter alia*, examines, and decides on various risks associated with the operation of the Company, with the goal to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company. Moreover, the Risk Management Committee reviews the risk management procedures in place. (More detail on the Risk Management Committee is provided in a separate section below).
- The Risk Manager ensures efficient management of the Company's risks in the provision of the investment and ancillary services to Clients, as well as the risks underlying the operation of the Company, in general. Furthermore, the Risk Manager bears the responsibility to monitor the adequacy and effectiveness of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the adopted policies and procedures, in addition to the Company's obligations stemming from the relevant laws, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

- Moreover, the Risk Manager is responsible for making recommendations and indicating in particular whether the appropriate corrective measures have been taken in the event of any deficiencies identified, as aforementioned.

The Duties and Responsibilities of the Risk Manager are specified in the Company's Internal Procedures Manual, and include the following:

- Development of policy regarding the assumption, follow up and management of risk which will include guidelines regarding possible risk exposure and acceptable risk levels.
- Development of risk management policy for credit risk, liquidity risk and all other types of risk faced by the Company.
- Reviewing the capital adequacy and the exposures of the Company.
- Performance of periodic assessments of the pricing policy with respect to all offered services taking into account the factors having an impact on cost, competitors' pricing policy and cost- benefit analysis.
- Credit assessment: Quality and financial analysis of Company's clients when opening a new client account and classification of clients according to Company's risk criteria and limits. Maintaining relevant records. Monitoring, periodic review and updating of Credit assessment.
- Review of pro-forma agreements between Company and clients or counterparties.
- Review the information provided to Clients regarding the nature and risks of financial instruments according to the Client classification.
- Evaluation of risks associated with transactions executed on behalf of Company's clients.
- Monitoring of investment risk undertaken by the Company for each client, counterparty and as a whole.
- Estimating risk, using specific indicators, of Company's clients and counterparties participation in money laundering and/or terrorist funding.
- Monitoring compliance of established limits set by the Company.
- Recalculation and monitoring of market risks parameters on all target financial instruments.
- Modelling and evaluation of influence of changes in parameters of market risks in relation to Company's controls and management of critical situations.
- Monitoring day-to-day operational risks.
- Monitoring open credits issued to clients against the Capital Adequacy of the Company.
- Maintenance of appropriate internal control systems designed to manage key risk areas.
- Assessment of the risk involved in potential new investment services and/or financial instruments and preparation of report to be reviewed and approved by the Board of Directors.
- Systematic follow up of the effectiveness and management of the risks assumed by the Company.
- Scrutiny of the Company's compliance with the arrangements, processes and mechanisms adopted to manage the risks relating to the Company's activities processes and systems in light of that level of risk tolerance.

- Scrutiny of the adequacy and effectiveness of measures taken to address any deficiencies in policies, procedures, arrangements, processes and mechanisms, for managing risks relating to Company's activities, processes and systems, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.
- Tracking down and scrutiny of important abrupt changes in the Company's financial results, procedures or personnel, as well as the regular control of the volume and causes underlying deviations between predictions and corporate end results, as submitted to the Company's Board of Directors or to any other competent bodies thereof, so as to render possible the assessment of the performance of each of the Company's departments by reference to the goals set.
- Prepare and present to senior management and the Board of Directors reports, at least annually, regarding the risk management functions. The report shall contain the work performed and conclusions reached, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, evaluate the compliance to prior recommendations made, and make additional recommendations based on the findings.

## 6. ANALYSIS OF THE RISKS FACED BY THE COMPANY

This Section describes and analyses each type of risk faced by the Company for the year under review, the measures and policies taken by the Company to manage these risks and the standing of the Company with respect to each risk, as applicable.

### 6.1.Capital Risk

Capital Risk is the risk that the Company will not comply with capital adequacy requirements. The primary objective of the Company with respect to capital management is to ensure that the Company complies with the imposed capital requirements of the Law with respect to its own funds and that the Company maintains healthy capital ratios in order to support its business and to maximize shareholders' value and optimise its debt and equity balance.

The legal and regulatory framework under which the Company operates stipulates that the Company must maintain a minimum capital adequacy ratio of 8%. The method of calculation is set up by the regulatory authority based on the International Basel II capital adequacy requirement directives. The Company aims to always maintain a high capital adequacy ratio well above the required minimum. The capital adequacy ratio is reported to the Cyprus Securities and Exchange Commission on a quarterly basis.

The table below illustrates the requirements and the ratio that the Company maintains.

Indicator	Requirements set by Article 92 EU Regulation No 575/2013	Ratio maintained by Crowd Tech Ltd as at 31/12/2020
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CET1 Capital Ratio	4.5% +2.5% Capital Conservation Buffer	13.35%
T1 Capital Ratio	6.0%	13.35%
Total Capital ratio	8.0%	13.35%

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders to maintain an optimal capital structure to reduce cost of capital. The total capital ratio for the year ended 31 December 2020 was 13.35%. Capital requirements are derived from credit risk, operational risk and market risk.

In addition, according to Article 93 of Regulation (EU) No 575/2013, CIF own funds must in no case fall below the level of initial capital as provided in Directive 2013/36/EU. As of 31/12/2020, the Company maintained own funds of \$1,012,514 (€825,128) while the required initial capital is €125,000. More detail on the Company's Own funds is provided in a separate section below.

<b>RISK WEIGHTED EXPOSURES</b>	<b>USD</b>
<i>RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES</i>	5,181,224
TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY	
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	2,400,572
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR )	
ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS	0
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	
TOTAL RISK EXPOSURE AMOUNT RELATED TO LARGE EXPOSURES IN THE TRADING BOOK	
OTHER RISK EXPOSURE AMOUNTS	
<b>TOTAL RISK EXPOSURE AMOUNT</b>	<b>7,581,796</b>

## 6.2.Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro.

The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The Company maintains adequate policies and procedures for the management of currency risk.

### 6.3.Credit Risk

Credit risk is the risk that a counterparty of the Company defaults and as such fails to meet its obligations to the Firm. This reduces the amount of future cash inflows from financial assets on hand at the balance sheet date. Adverse changes in the credit quality of financial institutional counterparties could affect the recoverability of assets and therefore our financial performance.

In the ordinary course of business, the Company is exposed to credit risk, which is monitored through various control mechanisms. The Company, amongst others, monitors its credit risk exposures on a regularly basis and conducts at least on a semiannually basis due diligence and risk assessments on all banking institutions and payment processors that maintains business relationships with. Cash balances as at 31st December 2020 were held with banking institutions authorized by the Central Bank of Cyprus and the Polish Financial Supervision Authority respectively. The risk of default of these credit institutions is quite low, based on external credit ratings by international credit rating organisations, which the Company is monitoring.

The Company's credit risk requirements were prepared based on Standardized Approach and the provisions laid down in EU Regulation 575/2013 (CRR). As per the Article 121 of CRR, exposures to unrated institutions are 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. Despite of the general treatment mentioned above, short term exposures to institutions could receive a favourable risk weight of 20% if specific conditions are met. Most of the exposures to corporates were risk weighted by 100% risk factor since they were unrated and incorporated in countries with no credit rating or with credit assessment up to credit quality step. The Other Items category includes tangible assets and prepayments for which the Company determined the counterparty risk weighted at 100%, cash items in the process of collection risk weighted at 20% and cash in hand risk weighted at 0%.

The table below illustrates the Company's credit risk exposures.

Credit Risk Analysis	Original exposure amount in 000's USD	Risk weighted exposure amount after SME-supporting factor in 000's USD	Multiplier of 8% in 000's USD	Average Risk weighted exposure amount after SME-supporting factor for 2020 in 000's USD
Total exposures to public sector entities	0	0	0	0

Consisting of on balance sheet exposures subject to credit risk				
Total exposures to institutions Consisting of on balance sheet exposures subject to credit risk	3,856	1,846	148	2,987
Total exposures to corporates Consisting of on balance sheet exposures subject to credit risk	2,919	2,919	234	1,129
Other items	415	415	33	171
<b>TOTAL EXPOSURES</b>	<b>7,190</b>	<b>5,181</b>	<b>414</b>	<b>4,286</b>

The Total Credit Risk Exposures are broken down by industry type per country in the next table.

<b>Breakdown of Total Credit Risk Exposures by industry type per country</b>	<b>In 000's USD</b>
<b>Banking Institutions</b>	<b>2,325</b>
Cyprus	2,217
Poland	108
<b>Financial Institutions</b>	<b>277</b>
Australia	200
Denmark	77
<b>Credit Card processors &amp; e-wallets</b>	<b>1,455</b>
Cyprus	939
Great Britain	26
Malta	485
Austria	4
<b>Local regulator and other governmental authorities</b>	<b>357</b>
Cyprus	357
<b>Other</b>	<b>198</b>
Czech Republic	83
Cyprus	73
South Africa	37
Poland	3
Israel	1
<b>Retail</b>	<b>2,578</b>
Other	2,578

<b>TOTAL EXPOSURES</b>	<b>7,190</b>
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### **Credit Risk by Currency and Country Exposure**

The table below illustrates the Company's credit risk exposure by country and the currency in which the exposure is denominated.

<b>Amount in 000's USD</b>	<b>Currency</b>	<b>Country</b>
2,699	EUR	Cyprus
114	GBP	Cyprus
773	USD	Cyprus
1	Other	Cyprus
83	USD	Czech Republic
77	USD	Denmark
14	USD	Great Britain
12	EUR	Great Britain
141	EUR	Malta
309	GBP	Malta
35	USD	Malta
4	EUR	Austria
200	USD	Australia
1	EUR	Poland
6	PLN	Poland
103	USD	Poland
18	ZAR	South Africa
20	EUR	South Africa
2,580	USD	Other
<b>7,190</b>	<b>Total</b>	

### **Residual Maturity**

The Company maintains cash at bank and short-term bank deposits with two banking institutions regulated by the Central Bank of Cyprus and KNF (Polish Financial Supervision Authority) with credit ratings of B3 and Baa1 respectively.

The Company utilizes credit ratings from Moody's Credit Rating Agency.

<b>Bank Credit Rating</b>	<b>Amount of cash at bank (in USD)</b>	<b>Residual maturity</b>
B3	2,217,242	shorter than <b>3 months</b>
Baa1	107,609	shorter than <b>3 months</b>

The Company's Business Continuity Plan includes a section on credit risk management in the event of a serious business disruption (SBD). In the event of an SBD, the Company will determine the value and liquidity of its investments and other assets to evaluate its ability to continue to fund our operations and remain in capital compliance.

#### **Analysis of credit exposures by credit quality step and class**

The Company makes use of the Standardised Approach of the ECAIs' credit assessments to credit quality steps. Below the credit exposures for rated counterparties of the Company are illustrated.

<b>Credit Quality Step</b>	<b>Original exposure amount in USD</b>	<b>Risk weighted exposure amount after SME-supporting factor in USD</b>
5	537,219	621,174
3	107,609	21,522

#### **Impairment**

Financial assets at amortised cost:

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. A financial asset is considered 'past due' when a counterparty fails to make a payment that is contractually due. No impairment losses have been recognised during the year ended 31 December 2020.

#### **6.4. Market Risk**

Market risk is the risk that arises when the fair value of financial assets and financial liabilities changes due to movements in market prices. Market risk includes interest rate risk, currency risk, equity risk, commodity risk and risks arising from changes in volatilities or correlation. Potential changes in interest rates would also affect the CIF's non trading activities hence the cost.

##### **6.4.1. Interest Rate Risk**

Interest rate risk is the possibility that the value of financial instruments (including currencies) will fluctuate due to the variability of interest rates. The Company is exposed to interest rate risk in relation to its bank deposits.



During the period under review, the Company was substantially independent from changes in interest rates due to the fact that the Company, other than cash at bank, which attracts interest at normal commercial rates, has no other significant interest-bearing financial assets or liabilities.

Nonetheless, the Risk Management function monitors the interest rate fluctuations with the assistance of the Accounting function and based on the variations of the relevant rates, the necessary hedging activities will be undertaken, if deemed necessary.

#### 6.4.2. Foreign Exchange Risk

Market risk is mainly taken on to facilitate instant execution of client trades, although market risk limits are very conservative. Revenue is derived from commission, finance and spread capture on client trading transactions, and not from taking on market risk. Client orders are sent to Sirius Financial Markets Pty Ltd and Saxo Bank A/S, who place the orders in their capacity as liquidity providers.

As a “Limited Licence” CIF, the Company does not deal for its own account, therefore it is limited to movements in foreign exchange rates and the exposures the Company has on its banking book.

The Company’s reporting currency is United States Dollars (US\$). If the Company’s net foreign exchange position exceeds 2% of its total own funds, the Company calculates own funds requirements for foreign exchange risk. The own funds requirement for foreign exchange risk is the overall net foreign exchange position multiplied by 8%.

The Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly (e.g., by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis). In this respect, the Company’s foreign exchange risk exposure stands at US\$ 192k capital requirement emanating from a net foreign exchange position of US\$ 2,401k, based on the latest relevant calculations of the Company’s capital requirements, as at 31 December 2020.

The Company’s Foreign Exposures are illustrated in the below table:

Currency Exposures	Net Long in 000’s US\$	Net Short in 000’s US\$
USD	-	1,389
EUR	1,954	-
GBP	423	-
ZAR	18	-
CSK	0.1	-

PLN	6	-
<b>TOTAL</b>	<b>2,401</b>	-
<b>Net FX Position</b>	<b>2,401</b>	
<b>Capital Requirement</b>	<b>192</b>	

### 6.5.Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external factors. Operational Risk includes Legal Risk but excludes Strategic and Reputational Risk.

The following list presents some event types, included in Operational Risk, with some examples for each category:

- Internal Fraud: unauthorized limit excess with intend, misappropriation of assets, tax evasion, intentional mismarking of positions, bribery and theft of the CRM from departing employees.
- External Fraud: theft of information, hacking damage, third – party theft and forgery.
- Clients, Products and Business Practice: market manipulation, asymmetrical slippage, antitrust, improper trade, product defects, fiduciary breaches.
- Execution, delivery and process management: wrong execution of orders, data entry mistakes when transmitting orders, trade mis-capturing.
- Employment Practices and Workplace Safety: acts inconsistent with employment, health or safety laws or agreements.
- Damage to Physical Assets: natural disaster or other events.
- Business Disruption and system failures.

The Company's three lines of defense (Senior Management of the Company; Compliance and Risk Management Functions; and Internal and External Audit) continuously monitor the effectiveness of the operational risk management procedure. All three lines of defence report to the Board of Directors, so in a sense, the fourth line of defence is the Board of Directors.

In general, the Company has in place risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risks tolerated by the Company. Further to this, the Company has developed and implements policies and procedures that deal with the abovementioned risks, including a Business Continuity Plan.

- As per the Business Continuity Plan, in the event of a Serious Business Disruption (SBD), the Company will immediately identify what means will permit it to communicate with its customers, employees, critical business constituents, critical banks, critical counterparties and regulators. In addition, the Company will retrieve its key activity records as part of Data Back-Up and Recovery (Hard Copy and Electronic).

- The Company offers training to staff members as a means of ensuring that procedures are followed.
- Each Company department maintains and upholds a Departmental Procedures Manual.

In addition to the above and based on the recent Covid-19 developments, the employees' safety is the Company's main priority. In this respect, necessary arrangements took place in order for the employees to be able to work from home and maintain social distance. Key users in the business have laptops with remote access capabilities such that the business can be run from an alternative location (including a disaster recovery site, temporary office facilities and public buildings with internet access and employees' homes).

#### 6.6.Credit Concentration Risk

Credit Concentration risk (hereinafter "Concentration Risk") is the risk arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity. The application of credit risk mitigation techniques is addressed by means of written Company policies and procedures.

More information on the Company's Exposures is provided in a separate section below.

#### **Exposures to Directors and/or Shareholders**

According to CySEC's Directive DI144-2014-14 for the Prudential Supervision of Investment Firms, Paragraph 61, CIFs are not allowed to have exposures to a Director more than 1% and to a Shareholder that is not an institution, more than 2% of its eligible capital. During the year under review, the Company had no exposure to Directors. However, the Company had exposures to its Shareholder. In this respect, all exposures relevant to the Company's Shareholder that exceeded the threshold of 2% were related to the Company's subsidiary in the Czech Republic. The abovementioned exposure was eliminated in Q1 2021 in anticipation to the dissolution of the subsidiary.

#### 6.7.Residual Risk

Residual Risk occurs as a result of recognized credit risk mitigation techniques used by CIFs that prove less effective than expected, such as, ineffective documentation, and or, delay or inability to realise a payment from a client in a timely manner. The underlying risk is addressed and controlled by the Company through a full set of written policies and procedures, covering various aspects of Crowd Tech's operations, inter alia policies that ensure sales of services are made to customers with an appropriate credit history and monitor on a continuous basis the ageing profile of its receivables. Furthermore, the Company has in place a written Handling Credit Offers Policy.

## 6.8.Liquidity Risk

Liquidity Risk is defined as the risk that arises when the maturity for assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company's approach to manage liquidity is by ensuring, as far as possible, that it will always have sufficient liquid current assets to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. In this respect, the Company has procedures in place with the objective of minimizing liquidity risk, such as, maintaining sufficient cash and other highly liquid current assets and ensures that it has sufficient cash on demand to meet expected operational expenses and possibly through an overdraft facility. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. For the period under review, the Company did not appear to be exposed to funding liquidity risk.

The table below illustrates the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

The table includes both interest and principal cash flows.

<b>31 December 2020</b>	<b>Up to 1 Year USD</b>	<b>Between 1-2 years USD</b>	<b>Between 2-5 years USD</b>	<b>More than 5 years USD</b>
Borrowings	-	-	-	-
Trade & other payables	6,177,488	-	-	-
Total	<b><u>6,177,488</u></b>	-	-	-

## 6.9.Business Risk

Business risk is defined as any exposure a Company has, to factors that lower its profitability or even cause bankruptcy. The sources of business risk are varied and could range from changes in consumer preferences and demand, deteriorations in economic conditions, to changes in government rules and regulations.

Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analysed and taken into consideration when implementing the Company's strategy.

## 6.10. Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformity with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company to financial loss, fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts.

During the year under review, the Internal Auditor completed onsite inspections of the following departments/areas in accordance with the Annual Internal Audit:

- 1) Corporate Governance
- 2) Anti – Money Laundering and Know Your Clients Procedures
- 3) Safeguarding of Clients’ Assets
- 4) Dealing Room Department

Furthermore, the Company’s Compliance Officer implemented a program to supervise and examine in detail the level of compliance of certain areas of the Company with the relevant legislation, propose remedial measures/actions, and provide the relevant training to the Company’s personnel.

The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as the monitoring controls applied by the Company. The annual reports of the Compliance Officer, the Internal Auditor and the Anti-Money Laundering Officer revealed that the Company is in compliance with regulatory requirements and did not identify any major deficiencies.

### **Money Laundering and Terrorist Financing Risk**

Money laundering and terrorist financing risk mainly refers to the risk that the Company may be used as a vehicle to launder money and/or finance terrorism. The Company has established policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

- (a) the adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company.
- (b) the adoption of adequate Client Due Diligence and Identification Procedures in line with the Clients’ assessed Money Laundering and Terrorist Financing risk profile.
- (c) setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information, documentary evidence).
- (d) obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth

and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction.

- (e) utilizing risk management tools, such as the World Compliance database.
- (f) ensuring that the Company's personnel receive the appropriate training and assistance.

The Company has reviewed during the period under review its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporate, as applicable, any new information issued/available in this respect.

### 6.11. Reputational Risk

Reputational risk is defined as the potential that adverse publicity regarding a financial organisation's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution. It is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the Company's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Company to litigation, financial loss, or a decline in its customer base.

Reputational risk poses a major threat to a financial organisation, since the nature of the business requires maintaining the confidence of investors, depositors, creditors and the general market. Financial organisations are especially vulnerable to reputational risk because they can so easily become a vehicle for, or a victim of illegal activities perpetrated by their customers thus, the Company protects itself by means of continuous vigilance through an effective Know Your Client programme.

In addition to the above, as with all firms there is an underlying risk that clients could complain and / or claim for compensation if they have cause to believe they have experienced poor client administration. The Company is committed to providing first class client administration and ensures that processes and systems are in place and staff are suitably qualified and trained such that the risk of complaints and/or claims is minimized. However, as with all complaints there is a material risk associated with complaints that the Company could suffer loss of reputation and could fail to attract new investors for funds or lose existing clients and thus revenues would suffer.

The Company has policies and procedures in place when dealing with possible Client complaints in order to deal with the issue in a timely manner and to provide the best possible assistance and service under the specific circumstances. The Company is constantly reviewing its complaints handling procedures in order to identify areas of improvements and ensure effective handling of complaints is performed at all times. The Compliance Function is overseeing the relevant procedures as well as upcoming legislation and ensures the required changes are put in place on a timely basis. During 2020, the Company submitted to CySEC 27 complaints.

### 6.12.Information Technology Risk

Information Technology (hereinafter, “IT”) Risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or inadequate use of the Company’s IT. Specifically, policies have been implemented regarding backup procedures, software maintenance, hardware maintenance, and use of the Internet and anti-virus procedures. The Company also has in place an IT Support contact procedure and a detailed Information Security Policy.

### 6.13.Internal Audit Risk

Internal audit risk assessment considers the impact of risks to shareholder value as a basis to define the audit plan and monitor key risks. This top-down approach enables the coverage of internal audit activities to be driven by issues that directly impact shareholder and customer value, with clear and explicit linkage to strategic drivers for the organization.

Some examples of related risks:

- Failing to understand, in a timely fashion, a significant business risk and as a result leaving it off the audit plan.
- Failing to fully appreciate business needs and recommending change that does not address the real business issue.
- Recommending change that addresses only the symptoms of a problem instead of its root cause.

The Company is addressing all above risks by assigning the task to experienced firms that are leaders in their field. Furthermore, the Company is aware of the associated risks.

### 6.14.Strategic Risk

Strategic Risk is associated with setting the strategy and objectives of the company and occurs as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. An Investment Firm needs to assess the impact of its business plans on its capital over the time horizon which it uses in its business plan.

The Company has a business plan for the next three years. It has adequate capital to support all the strategic initiatives. Strategic risk management is a continuous process that is embedded in strategy setting and strategy execution. Therefore, the Company’s exposure to strategic risk is minimal as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Company.



As part of its strategic risk management, the Company is in the process of updating its ICAAP. The ICAAP enables the Company to effectively identify, consider and understand the types of risks it is facing. In addition, these risks will become an input in its business plans and strategy, while their impact will be monitored in a forward-looking manner.

#### 6.15.Group Risk

Group risk applies to all subsidiaries that are part of a group which is established either in the Republic, another member state, or a third country. It relates to the risks that emanate from the relationship that the CIF has with other group entities. For instance, a CIF that has a parent in a third country which does not apply Basel II rules and has exposure to high political risk, needs to assess the possibility of being indirectly adversely impacted from a political event in the set-up stage of the parent company.

During 2020, the Company was wholly owned by Mr. Peter Zachariades. Moreover, the Company set up two subsidiaries in the EU, Crowd Tech Investments Czech Republic s.r.o. and Crowd Tech Investments Poland Sp. Z.o.o., respectively. Both subsidiaries are in process of being dissolved.

#### 6.16.Political Risk

Political Risk is the risk that occurs as a result of political changes or instability in the country/region that have a diverse effect on corporate profits. Brexit has a major impact on the Company's business operations as the second greatest number of clients in terms of volume traded come from the UK (17.70% as at 31 December 2020). In this respect, the Company has applied to the UK's FCA in January 2019 in order to maintain its right to provide cross-border services to the UK. Moreover, the Company took into consideration all announcements and has provided all information to the FCA to support its application before and after 30 December 2020, as requested. The Company is alerted for any upcoming developments and new requirements that may take place.

#### 6.17.Conduct Risk

According to EBA, Conduct risk may be defined as the risk of losses to an institution arising from an inappropriate supply of financial services, including cases of wilful or negligent misconduct and leading to customer detriment. In this respect, the Company could be exposed to conduct risk arising from having inadequate arrangements and procedures with Liquidity Providers, third parties that hold Client Funds as well as LIBOR cessation and transition.

#### **Liquidity Providers**

The Company is exposed to negative balances with its Liquidity Providers in case of fast-paced volatile market, where the Liquidity Providers cannot close a position at the Company's stop out limit. Therefore, the Company could be exposed to conduct risk arising from



inadequate agreements with its Liquidity Providers. In this respect, the Company has restructured its agreements with its Liquidity Providers in order to include a negative balance protection clause so that retail clients cannot lose more than the total funds deposited and to ensure that the Company does not assume responsibility for any possible negative balances occurred in the clients' trading accounts. Moreover, the Company has procedures in place to diversify its liquidity providers and monitor their financial position on an on-going basis. The financial soundness of the liquidity providers is closely monitored, and the Company is ready to switch to alternative Liquidity Providers, if necessary. Furthermore, the receivable/payable amounts with the Liquidity Providers are monitored on a daily basis. In particular, the Company examines its existing procedures and arrangements with respect to the products offered and services provided.

### **Clients' Funds**

The Company could also be exposed to conduct risk when it comes to maintaining Clients' Funds with third parties and when those parties become insolvent. In order to minimize the risk of losing Clients' Funds, the Company diversifies the Clients' Funds in a number of regulated banking institutions and payment services processors. Moreover, regular due diligence checks and risk assessments are conducted by the Risk Management Function on all banking institutions and payment services processors that the Company holds Clients' Funds and submits reports to the Risk Management Committee. The Company also performs such checks and assessments prior the business relationship is initiated and include inter alia, checking the regulatory environment they operate, the country of the regulatory framework applied, and respective credit ratings published by reputable rating agencies, such as, Moody's Ratings, S&P Ratings, Fitch Ratings, etc. The Company is ready to switch to alternative financial institutions, if necessary.

### **LIBOR**

The Company and the clients could also be exposed to respective risks and losses when transitioning from LIBOR to alternative risk-free rates. LIBOR is an interest rate benchmark used in pricing various financial instruments, such as derivatives and in setting overnight fees when trading with leveraged financial instruments (i.e., CFDs). The Company shall perform an internal analysis in order to identify any dependencies on LIBOR and shall take all the appropriate measures to remove any dependencies and transition to alternative Risk-Free Rates ("RFRs") by the end of 2021, where appropriate.

#### **6.18.Third Party Risk**

To manage third party risk, the Company has implemented a risk management plan which incorporates:

- All third parties with whom the Company has a relationship.
- Specific customer risks to which third parties can expose the Company.

- Due diligence requirements according to the nature of the third party and the relevant regulatory framework.
- A Governance system that identifies responsible staff members for each task related to implementing the said third party risk management plan.

In light of CySEC's Circular C034 Maintaining merchant accounts with payment service providers for the clearing/settlement of payment transactions, the Company undertook an internal assessment of its compliance with the Circular, with Section 17) of Law L.87(I)/2017, and with Paragraph 4(1)(f) of Directive DI87-01.

As of 31/12/2020 the Company maintained relationships with payment service providers that are regulated by a regulator within the EEA.

The Company segregates assets held by clients and from its own assets. In relation to the clients' accounts denomination, the Company complies with the provisions of the Paragraph 6 of Directive DI87-01 and the accounts in which clients' funds are kept are properly denominated as "clients' accounts".

The Company has performed adequate due diligence checks before entering into agreement with the above third parties. Due diligence checks on all third parties with which the Company maintains relationships are repeated on a semi-annual basis, as part of the Company's risk management program.

## 7. OWN FUNDS DISCLOSURE

As at 31 December 2020, the Company maintained \$1,012,514 (€825,128) in total Own Funds, while the initial capital requirement for the type of CIF license held by the Company is €125,000. Therefore, the amount of own funds maintained by the Company is considered more than adequate.

Main features of Tier 1 and Tier 2 items as at 31.12.2020:

Item	Amount in USD
<b>Common Equity Tier 1 capital: instruments and reserves</b>	
Capital Instruments and the related Share premium accounts	729,081
Retained Earnings	340,564
Contributions to Investors Compensation Fund	-54,588
Minimum cash buffer of 3% of the eligible funds and financial instruments of clients	-2,542
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments – As agreed to audited FS</b>	1,012,514
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>	
Intangible assets	0

<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	0
<b>Common Equity Tier 1 (CET1) capital</b>	1,012,514
<b>Additional Tier 1 (AT1) capital</b>	0
<b>Tier 1 capital (T1=CET1 + AT1)</b>	1,012,514
<b>Tier 2 (T2) capital</b>	0
<b>Total capital (TC=T1+T2)</b>	1,012,514

The Company exceeds the Own Funds requirements that apply during the period from 1 January 2020 to 31 December 2020 as follows:

- a) Common Equity Tier 1 capital ratio by 6.35% and
- b) Tier 1 capital ratio by 7.35%

Outside of periods of stress, the Company should hold buffers of capital above the regulatory minimum. When regulatory capital ratios approach the minimum requirement, constraints will be imposed on earnings distributions (not on the operation of the Company).

Institutions are required to hold a Capital Conservation Buffer (CCB) of 2.5% (by 2019) to withstand future stressful times. CCB will be met with common equity. The restrictions on distributions shall apply during the transitional period between 1 January 2016 and 31 December 2020, as indicated below:

<b>Before 2016</b>	- CCB 0%
<b>01.01.2016-31.12.2016</b>	- CCB 0.625%
<b>01.01.2017-31.12.2017</b>	- CCB 1.25%
<b>01.01.2018-31.12.2018</b>	- CCB 1.875%
<b>2019 and onwards</b>	- CCB 2.5%

The Company is not required to hold any additional capital requirements as regard to the countercyclical buffer.

The total authorised and issued number of ordinary shares is 5,000 shares with a par value of €1 per share. All issued shares are fully paid. The main features of these Common Equity Tier 1 instruments are as follows:

1	Issuer	Crowd Tech Ltd
2	Unique identifier	N/A
3	Governing law(s) of the instrument	Laws of the Republic of Cyprus
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	\$ 729,081
9	Nominal amount of instrument	\$ 5,566
9(a)	Issue price	1000 shares issued on 22/11/2011 at €1 per share. 1000 shares issued on 28/01/2014 at €319 per share. 1000 shares issued on 22/11/2014 at €75 per share. 1000 shares issued on 27/11/2011 at €100 per share. 1000 shares issued on 06/04/2015 at €160 per share.
9(b)	Redemption price	N/A
10	Accounting classification	Equity
11	Original date of issuance	22/11/2011
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
Coupons/dividends		
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)	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive 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

## 8. EXPOSURES

Company Exposures are illustrated in the table below.

Item	Amount in 000's USD
<b><u>TOTAL RISK EXPOSURE AMOUNT</u></b>	<b><u>7,581.80</u></b>
Of which: Investment firms under Article 95 paragraph 2 and Article 98 of CRR	7,581.80
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	5,181.22
Standardised approach (SA)	5,181.22
SA exposure classes excluding securitisation positions	5,181.22
Central governments or central banks	0.00
Regional governments or local authorities	0.00
Public sector entities	0.00
Multilateral Development Banks	0.00
International Organisations	0.00
Institutions	1,846.09
Corporates	2,920.31
Retail	0.00
Secured by mortgages on immovable property	0.00
Exposures in default	0.00
Items associated with particular high risk	0.00
Covered bonds	0.00
Claims on institutions and corporates with a short-term credit assessment	0.00
Collective investments undertakings (CIU)	0.00

Equity	0.00
Other items	414.83
Securitisation positions SA	0.00
of which: re-securitisation	0.00
TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY	0.00
Settlement/ delivery risk in the non-trading book	0.00
Settlement/ delivery risk in the trading book	0.00
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	2,400.57
Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)	2,400.57
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR )	0.00
OpR Basic indicator approach (BIA)	0.00
OpR Standardised (STA) / Alternative Standardised (ASA) approaches	0.00
ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS	0.00
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	0.00
Advanced method	0.00
Standardised method	0.00
Based on OEM	0.00
TOTAL RISK EXPOSURE AMOUNT RELATED TO LARGE EXPOSURES IN THE TRADING BOOK	0.00

## 9. RETURN ON ASSETS

The Company's return on assets for the year 2020 was 0.079.

To calculate Return on Assets the following formula was used:

$$\text{Net Profit} \div \text{total assets}$$

## 10. FIXED OVERHEADS EXPOSURE

An analysis of the Company's fixed overheads exposure is provided in the table below.

Item	Amount in 000's USD
Total expenses (after distribution of profits)	15,537
Less:	
Fully discretionary staff bonuses	0

Employees', Directors' and partners' shares in profits to the extent that they are fully discretionary	0
Other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary	0
shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent upon the actual receipt of the commission and fees receivable	0
fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions	12,433
fees to tied agents in the sense of paragraph 1, Section 2 of Part I of Law 114(I)/2007, where applicable, notwithstanding the provisions of Note (i)	216
interest paid to customers on client money	0
non-recurring expenses from non-ordinary activities	1,203
Other additions	
35% of all fees related to tied agents (only if a CIF makes use of tied agents)	76
Fixed Overheads	1,761
Fixed Overheads requirement (25% * fixed overheads)	440
Fixed overheads risk exposure amount	5,503
Total risk exposure amount as per Article 92(3)	5,503

## 11. REMUNERATION POLICY AND PRACTICES

### 11.1. Remuneration Policy Risk

Remuneration Policy Risk refers to the potential risk emanating from a Company's remuneration policy. According to Directive DI144-2014-14 of CySEC for the prudential supervision of investment firms, a CIF's remuneration policy should be:

- Consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the CIF.
- In line with the business strategy, objectives, values and long-term interests of the CIF, and incorporate measures to avoid conflicts of interest.
- The Company's Board should adopt and periodically review the general principles of the remuneration policy and is responsible for overseeing its implementation.
- At least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the board of directors.
- Staff engaged in control functions should be independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.
- Makes a clear distinction between criteria for setting:

- i. **basic fixed remuneration**, which should primarily reflect relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment; and
- ii. **variable remuneration** which should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.

## 11.2. Company Remuneration Practices

The Company complies with the requirements of sections 10 (1) (c) (iii) and 25(10) of the Investment Services and Activities and Regulated Markets Law 87 (I) 2017, as in force, paragraphs 5, 6, 20-24 of CySEC's Directive DI144-2014-14 as amended for the Prudential Supervision of Investment Firms in relation to the variable elements of remuneration and the remuneration committee, CySEC's Circular C031 concerning the guidelines on remuneration policies and practices, CySEC's Circular C138 concerning the remuneration policies and practices and the questions and answers 2 and 3 of section 2 of ESMA/2016/904 relating to the provision of CFDs and other speculative products to retail investors under MiFID.

The remuneration is mainly fixed, but a variable element also exists, which is based on the individual performance of each employee. During the year under review the Company offered a bonus to eligible employees based on their qualitative performance mentioned below.

The main body for overseeing remuneration policy and practices during the year under review was the Board of Directors (Board). The Board performed 9 meetings during the year 2020. The Board minutes are properly documented and are duly signed by all the members of the Board.

### **Remuneration Committee**

Due to the small size of the board, the Company has not set up a Remuneration Committee. To the present, the Company's Board, has been monitoring remuneration risk.

### **Remuneration Policy**

Based on the Directive, Section 4, Paragraph 32 (Article 450 of Regulation 575/2013), the following is applicable with regards to the Company's remuneration system.

- The Company's Remuneration Policy is consistent with the general policy of promotion of sound and effective risk management, and in no way encourages risk-taking that exceeds the Company's risk appetite. The Remuneration Policy is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflict of interests.



- The Board of Directors adopts and periodically reviews –at least on an annual basis– the general principles of the remuneration policy and is responsible for overseeing its implementation.
- The Remuneration Policy is subject to annual review for compliance with policies and procedures for remuneration adopted by the Board.
- As a general rule, staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent from the performance of the business areas they control.
- The Company also maintains written policies on the Recruitment of Employees, the termination of employees and the Replacement of Employees. All Employees have entered into written employment contracts with the Company, which detail their duties and responsibilities.

### 11.3.Fixed and Variable Remuneration

All employees are eligible for variable annual (one-off) bonus remuneration based on the annual performance appraisal.

The Company's Remuneration Policy provides guidelines on the provision of variable remuneration, for circumstances where the Company decides to offer variable remuneration. When assessing performance for the purposes of determining the variable remuneration, and to ensure that employees act in the best interest of the Company's clients, the Company will take into account, where appropriate and depending on the job description, the following factors:

- Client Support quality- where appropriate.
- Assess the performance of employees based on qualitative criteria e.g. compliance with regulatory (especially conduct of business rules and, in particular, the review of the suitability of client support provided by employees to clients), internal procedures i.e. the fair treatment of clients and client satisfaction.
- The outcome of their activities in terms of compliance with the conduct of business rules and, in general, with the duty to care about the best interests of the clients.
- Achievement of set targets, appropriate to the job description.

The Remuneration Policy provides that the total remuneration of staff will consist of fixed and variable components. The fixed component of the Company was set at 90% of the total remuneration in 2020; this allowed the employees to focus on the qualitative aspects of their work in the short, medium and long term. The Company's calculation of the fixed and variable remuneration of employees is based on a qualitative criterion. The variable component of the remuneration based on qualitative criteria allows the Company to closely reflect the desired conduct of employees to act in the best interests of the clients.

The variable remuneration of the Employees is therefore based on the annual appraisals performed by the Managing Director and on the monthly appraisal of Employees involved in Client Support and Business Development. Based on the outcome of such appraisals, a variable remuneration may be decided upon at the discretion of the Managing Director and Board of Directors. It is recommended that at the next review of the Remuneration Policy, additional detail is incorporated on the conditions under which variable remuneration is provided.

The fixed component of the remuneration mainly reflects the seniority and experience of an employee.

### *11.3.1. Quantitative Information on Fixed Remuneration*

According to the Article 431 and 432 of Regulation (EU) 575/2013, the Company may omit the disclosure of the quantitative information on the fixed remuneration by business area and by each member of the management body since the information is regarded confidential based on the size of the Company.

There were no staff members that were remunerated EUR 1 million or more during the financial year.

**Total Staff Costs including directors' remuneration:** The fixed component of the remuneration of all employees including the Executive Directors for the year 2020 totalled \$581,402 and social insurance costs and other funds were \$89,522. The total number of staff members employed by the Company during 2020 was 22.

**Total Directors' fees:** Non-Executive Directors' fees for the year 2020 were \$69,437. The Board consisted of two Executive Directors and four Non-Executive Directors during the year under review.

### **Total Control Function Composition**

The Company employed an in-house Compliance Officer up until June 2020. By the end of the year the compliance department was staffed by 3 persons. The position of the Compliance officer was served by the Company's Managing Director who also served as an Anti-Money Laundering Compliance Officer up until December 2020. In December 2020 the Managing Director was released from the role of the Compliance Officer and the Anti-Money Laundering Officer and new officers were appointed to each position. In October 2020 the Company hired an employee to serve as the Risk Manager, replacing the Company's CFO in the aforementioned role.

### **Dealing Room Composition**

During 2020 the Managing Director served as the Reception Transmission Officer of the Company until March. In March the Company employed a Head of Dealing Room, releasing

the Managing Director from the aforementioned role and by the end of the year the Dealing Department consisted of the Head of Dealing and one junior Dealer.

### **Accounting and Finance Composition**

As at December 2020 the Accounting function consisted of one senior accountant, four junior accountants and the CFO.

#### *11.3.2. Quantitative Information on Variable Remuneration*

According to the Article 431 and 432 of (EU) Regulation 575/2013, the Company may omit the disclosure of the quantitative information on the variable remuneration by business area and by each member of the management body since the information is regarded confidential based on the size of the Company.

In 2020, the Company offered a variable remuneration to all eligible employees, including the executive directors, based on qualitative performance, amounting to \$67,321. Specifically, it did not offer any of the following types of remuneration:

- Variable remuneration in shares, share-linked instruments or any other type;
- Deferred remuneration;
- Sign-on or severance payments;
- Option scheme.

## **12. OTHER POLICIES FOR MITIGATING RISK & MONITORING OF POLICIES**

### *12.1.Procedures Manual*

A comprehensive internal document detailing the body of policies and procedures has been implemented by the Company.

### *12.2.Anti- Money Laundering Procedures Manual*

A comprehensive internal document detailing the body of Anti- Money Laundering Procedures has been implemented by the Company.

### *12.3.Recovery Plan*

The Company has a written Business Continuity Plan, which includes a chapter on financial and operational assessments, detailing how the Company addresses operational risks, as well as credit and financial risks in the event of serious business disruptions.

The Company is at the early stages of internal discussion for the development of a separate Recovery Plan, detailing how the Company will regain viability in case it is subjected to severe

financial pressure. The Company's management is aware of the relevant provision of Directive DI 144-2014-14 and will be drafting guidelines for the preparation of a Recovery Plan to assess whether a separate Recovery Plan is necessary, or whether it can be incorporated in the Company's existing Business Continuity Plan.

#### 12.4. Business Continuity Plan

The Company maintains a disaster recovery plan for the restoration of functionality following any disaster or any other urgent situation. In this regard the IT Department has the responsibility to provide computing capabilities and software within mutually agreed time frames. A plan is also established to facilitate end users in the backing up of all data and/or applications on any device or other storage media, as per the requirements of the Company. The Company has identified specific systems which are considered as core systems required to ensure business continuity. The systems which are technology supported are:

- a. The trading platform of the Company which is supported by the continued and uninterrupted access to the internet.
- b. The correct performance of the trading software; Including Internet coverage.
- c. The digital telephone system which enables the telephone order system of the Company, for which the Company has provided for alternatives means of communication with clients.
- d. Alternative physical location(s) of the employees. In the event of a significant business disruption the Company will continue its operations at this alternate working location.
- e. Contact information for all the Company's critical business partners and counterparties, such as internet providers, financial institutions or other investment firms if any.
- f. Data back-up and recovery control systems. In this respect, all data bases are backed-up in full on a daily basis and the Company utilizes secure, reliable and high-performance cloud services.
- g. Provides uninterrupted power supply facility (UPS) for every workstation for immediate resilience in the event of a power failure, saving of work and shutting down as soon as power failure occurs.

#### 12.5. Disclosures Policy

This policy aims to provide guidelines on the Company's compliance with regulatory disclosure requirements, and for assessing the appropriateness of these disclosures, including their verification and frequency. In addition, this Policy provides guidelines on the internal procedure for assessing that the Company's disclosures convey their risk profile comprehensively to market participants.

The Company publishes an annual Disclosures and Market Discipline Report in order to offer market participants with accurate and comprehensive information regarding the Company's risk profile. The Company may decide to publish additional disclosures on an ad hoc basis, provided that this decision is approved by a majority vote of the Company's Board of Directors.

The principle of transparency is integral to the design and implementation of this Policy. The Company is committed to upholding transparency as part of its core values, both for ethical and regulatory compliance purposes.

Frequency of Disclosures: The Company publishes an annual Disclosures and Market Discipline Report in order to offer market participants with accurate and comprehensive information regarding the Company's risk profile. The Company may decide to publish additional disclosures on an ad hoc basis, provided that this decision is approved by a majority vote of the Company's Board of Directors.

Verification of Disclosures: The Disclosures must be verified by the External Auditor of the Company. The Company is responsible to submit to CySEC, its External Auditor's verification report together with the Disclosures and Market Discipline Report. Disclosures shall be published as soon as practicable and the latest within four months from the end of each financial year.

Method of Publication: The Company will publish the audited Disclosures and Market Discipline Report on its official website at <http://www.trade360.com/> in the 'Legal Documents' area.

The Company's Board of Directors (Board) provides overall risk management supervision and bears the ultimate responsibility for the Company's risk management. During its meetings, it reviews and discusses the written reports prepared by the Risk Manager and identifies the risks faced by the Company.

The Board must assess at least on annual basis whether the Company's disclosures are appropriate, in terms of reflecting the Company's risk profile and risk appetite. In conducting this assessment, the Board will review a number of sources of information, including:

- The feedback of the Risk Management Committee.
- The feedback of the Risk Manager.
- The Annual Risk Manager's report.
- The Annual Compliance Function Report.
- The Annual Report of the Internal Auditor.
- The Annual Report of the AML Officer.
- The audited financial statements of the Company
- Any other information that the Board considers appropriate.

This assessment procedure is in compliance with Company policies, including the Risk Management Committee Guidelines, and the Internal Operations Manual. The assessment of the appropriateness of Disclosures is an ongoing process, directly associated to the overall risk management and risk monitoring performed by the Company's Board, Risk Management

Committee, Risk Manager, Internal Auditor, External Auditor, Accounting function, Compliance function and senior management.

The Board may also decide to increase the frequency of the Company's Disclosures publication, on an ad hoc basis, on its own initiative or following the recommendation of:

- The Risk Management Committee
- The Risk Manager
- The Senior Management of the Company, or a Member thereof
- The Internal Auditor
- The Compliance Officer
- The External Auditor.

The Company will perform a periodical review of this Policy, at least once a year. The Policy is in line with the Company's operational model and risk profile, and therefore in case of any changes in the operations or risk appetite, these will be properly reflected in this policy.

#### 12.6. Clients Acceptance Policy

The Company shall classify Clients into various risk categories and based on the risk perception, decide on the acceptance criteria for each category of Clients. The Company shall apply for all prospective Clients a due diligence and KYC procedures prior to account opening in accordance with the principles and procedures set in the Risk Management and Procedures Manual as well as in Back Office Manual regarding the Prevention of Money Laundering and Terrorist Financing.

#### 12.7. Client Categorisation Policy

In accordance with the Directives of the law, prior to the Company engaging in a business relationship with potential clients, it is required to notify the potential clients of the clients' classification in use by the Company and inform them about the category in which they are initially classified by the Company.

#### 12.8. Information Security Policy

The Company has implemented basic security policies and controls that govern corporate data and proprietary software systems ensuring both a continued availability of data and programs to authorized staff and data and configuration integrity at all times.

#### 12.9. Know Your Client Policy

This policy aims to establish guidelines for the Company's the Know Your Client ("KYC") procedure for new and existing clients.

#### 12.10. Handling Credit Offers Policy

The proper handling of credit requests from clients is a priority since it can expose the Company to significant legal, regulatory and commercial risks. The purpose of the Handling Credit Offers Policy is to illustrate the framework and provide guidance to relevant staff members on how to handle a credit request that is sent by the client and to provide a clear understanding of the procedure that needs to be followed prior and after the approval of the credit request.

#### 12.11. Service & Asset Acquisition Policy

The purpose of this policy is to ensure the Company makes responsible asset purchases, accounts for assets, and retains control over assets. This Policy sets the guidelines for heads of departments and the senior management to prepare and execute sound planning in the allocation and reallocation of resources to new and existing assets and acquired services that are essential to the Company's operations. Planning is a key element in achieving value and demonstrates efficiency in delivery of the asset/service. A failure to effectively manage these activities can result in increased operating costs and can compromise the Company's business model.

#### 12.12. Conflict of Interest Policy

The purpose of this policy is for the Company to design, maintain and operate effective organisation and administrative procedures to identify and responsibly manage and control conflict of interests arising in relation to its business and reduce the adverse effect such conflicts may have on the interest of its clients. The Company's senior management have defined and implemented internal procedures that are suitable and adequate in minimizing and managing any potential conflict of interest throughout the Company's organisational structure.

#### 12.13. Order Execution Policy

The purpose of this policy is that in compliance to the Law the Company must establish and implement effective arrangements for obtaining the best possible results for its clients, taking into consideration price, costs, speed, likelihood of execution and settlement, size, nature, as well as the clients' ability, needs and trading policies, where applicable and possible.

#### 12.14. Internal Capital Adequacy Assessment Process Report (ICAAP)

The Company prepares an ICAAP Report on an annual basis, in accordance with the requirements laid out in both CySEC's Guidelines GD-IF-02 (Circular 026) & GD-IF-02 (Circular 027) and the CRD IV. It describes how the ICAAP of the Company is implemented and embedded within its business. Moreover, the ICAAP Report reflects the Company's



business and procedures and explains the Company's risk profile and appetite as well as the capital that it considers adequate to be held against all the risks that the firm is exposed to.

As per the Article 73 of the CRD IV, the Company shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the firm.

During 2020, the Company's Risk Manager has prepared and presented to the Board the ICAAP Report for the year 2019 and all the material risks that have been identified and included in the Company's ICAAP Report, as well as the stress testing scenarios performed. It was pointed out that the ICAAP enables the Company to effectively identify, consider and understand the types of risks that it is facing whilst its implementation reinforced the risk mitigation methods that are already in place within the Company. The results of the ICAAP have been approved by the Company's Board, are embedded into the day-to-day operations, and shall be used for future strategic decisions.

For the year under review, the Risk Manager is at the time of writing, in the process of reviewing and updating the Company's ICAAP in order to reflect all developments occurred during the relevant period.

## **PART B GOVERNANCE ARRANGEMENTS**

### **13. DIRECTORSHIPS HELD BY MEMBERS OF THE BOARD OF DIRECTORS**

<i><b>Director</b></i>	<i><b>Position within Crowd Tech Ltd (formerly MPF Global Markets Limited)</b></i>	<i><b>Number of Executive Directorships</b></i>	<i><b>Number of Non - Executive Directorships</b></i>
<i><b>Mr. Lakis Agathocleous</b></i>	Executive Director	1	1
<i><b>Mr. Fotis Fotiou</b></i>	Executive Director	1	0
<i><b>Mr. Aristos Christofides</b></i>	Independent, Non-executive Director	1	1
<i><b>Mr. Christos Makrides</b></i>	Independent, Non-executive Director (resigned at 11/06/2020)	1	2



<i>Mr. Andreas Cleanthous</i>	Independent, Non-executive Director (appointed at 04/03/2020)	0	2
<i>Mr. Peter Zachariades</i>	Non-executive Director	0	3

#### 14. BOARD OF DIRECTORS RECRUITMENT POLICY

The Company implements set criteria for the selection of the members of the Board of Directors. Specifically, the members must be of sufficiently good reputation and possess sufficient knowledge, skills and experience as referred to in section 12(1) of the Law. The members also need to have integrity and honesty, the necessary qualifications, education, skills, experience and diversity in order to conduct all their duties. They also need to have financial knowledge, risk management experience as well as experience with local and international financial matters. Part of the duties of the members of the Board of Directors is to find and evaluate, based on the above-mentioned criteria, candidates who would be able to respond to the demands of the Board of Directors.

Although, the Company does not have a written policy in relation to the selection and appointment of the members of the Board, it plans to initiate the drafting of this policy within 2020.

#### 15. DIVERSITY IN RELATION TO THE SELECTION OF BOARD MEMBERS

The Company is committed to promoting diversity in the composition of its Board of Directors, as well as in the entirety of its human resources. Furthermore, the Company recognizes the benefits of having a diverse Board of Directors, in terms of establishing an inter-disciplinary and varied set of skills, experience and background. In addition, the Company recognises the benefits of multiculturalism and gender equality and strives to implement these principles, as a means of adding value to the Company.

Diversity as an objective is taken into consideration in the selection of Board of Directors Members. The principle of diversity will be encompassed and included in the Board of Directors Recruitment Policy.

#### 16. RISK MANAGEMENT COMMITTEE

The Risk Management Committee is made up of the two Independent Non-Executive Directors of the Company and the Company's Risk Manager (non-voting rights) and is responsible for advising the Board on the Company's overall current and future risk appetite and strategy and assist the Board in overseeing the implementation of that strategy by senior management.

### 16.1. Risk Management Committee Guidelines

The Company has drafted an internal document titled “Risk Management Committee Guidelines”, which states that the Risk Management Committee shall be responsible, as necessary, for:

- a) Monitoring compliance with the relevant provisions of the Law, relating to risk management issues.
- b) Requiring sufficient information from all the relevant departments of the Company, as applicable.
- c) Examining the financial results of the Company.
- d) Analysing the market and its trends (from a risk management perspective), as applicable.
- e) Evaluating how the introduction of any potential new services or activities by the Company could affect the risk management function of the Company and provide such requests to the Senior Management or the Board, as requested.
- f) Examining the capital adequacy and the exposures of the Company.
- g) Setting, updating and monitoring Client and counterparty limits.
- h) Maintaining a record of all the Clients and counterparties risk and limits involved.
- i) Recommending, providing and supervising policy description concerning information systems (including backup systems that can restore smooth operation in case of failure).
- j) With respect to liquidity risk and market risk:
  - Define acceptable maximum risk assumption limits per class of risk.
  - Break down the above risk limits further where necessary, for example, per class of investment service or financial instrument, or Client or market, etc.
  - Implement stop loss-control limits, where applicable.
  - Follow up open positions within the approved limits.

In addition, the Risk Management Committee Guidelines provide the following procedures and controls:

- a) Client’s funds/limits are set by the Risk Management Committee.
- b) The Risk Management Committee determines the position limits for the different financial instruments and its maximum exposure against the clients’ positions on each financial instrument. i.e., reduce the exposure levels upon receiving approval from Risk Management Department.
- c) Risk Management Committee determines the maximum Value the Company is willing to accept.
- d) The leverage percentage is set by Risk Management Committee and approved by the Board of Directors.
- e) The minimum margin requirement is set by the Risk Management Committee and approved by the Board of Directors.
- f) Put in place appropriate risk management procedures to enable it to determine whether a prospective client is a politically exposed person. Such procedures may include,

depending on the degree of risk, the acquisition and installation of a reliable commercial electronic database for politically exposed persons.

- g) Information from the client himself or from publicly available information. In the case of legal entities, Company will verify whether the beneficial owners, authorized signatories and persons authorized to act on behalf of the legal entities, constitute politically exposed persons. In case of identifying one of the above as a politically exposed person, the account of the legal entity will be subject to the relevant procedures specified in the Law and the Directive.
- h) Provision of Credit (Margin) or Loan Facilities - credit is given for a maximum amount to be determined by Risk Management Committee.
- i) Aggregate net exposures, as they develop from the opening and/or closing of positions by clients, are monitored and a decision is taken by the risk management committee on a constant basis regarding the level of risk to be maintained. Where the risk exceeds the desired levels, appropriate actions are taken to hedge the risk until the desired levels are achieved.

## 16.2. Risk Management Committee Composition and Meetings

As at 31 December 2020, the members of the Risk Management Committee were the Company's two Independent Non-executive Directors, Mr. Aristos Christofides and Mr. Andreas Cleanthous and the Company's Risk Manager Ms. Annita Tsiarta. The Risk Management Committee started operating in September 2014 and held two meetings during the year under review. It has been decided that the Risk Management Committee will be meeting on a semi-annual basis, as well as on an ad hoc basis when deemed necessary.

## **ANNEX I**

### **BOARD OF DIRECTORS RISK MANAGEMENT DECLARATION**

The Board of Directors is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. Following a review of the risk management strategy and program implemented by the Company, the Board considers that there are adequate risk management arrangements in place.

The Board hereby provides assurance that the risk management systems in place by the Company are adequate, with regard to the Company's profile and business strategy.