Libertex

PILLAR III DISCLOSURES

According to Directives DI144-2014-14 and DI144-2014-15 of the Cyprus Securities & Exchange Commission for the prudential supervision of investment firms and Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms

YEAR ENDED 31 DECEMBER 2019

June 2020

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1. INTRODUCTION

1.1 Group Information

The purpose of this document is to disclose information in accordance with the scope of application of the Capital Requirements Directive IV (CRD IV) requirements for **Libertex Holding (Cyprus) Ltd** (hereinafter, the 'Group').

The **Libertex Holding (Cyprus) Ltd** was incorporated in the Republic of Cyprus on 27 October 2008 as a limited liability company with registration number HE 240719 and it is the parent company of **Indication Investments Ltd** which was incorporated in the Republic of Cyprus on 26 July 2011 as a private limited liability company with registration number HE290930 and regulated by by the Cyprus Security Exchange Commission (hereinafter, the 'CySEC') with CIF number 164/12 and **FC Forex Club BY** in Belarus which was registered by National Bank Republic of Belarus with registration number 65-14/2.12-7/12.

Moreover, pursuant to the Regulation (EU) 575/2013 (the "Regulation" or "CRR"), the Group's minimum/initial capital requirement is €730,000.

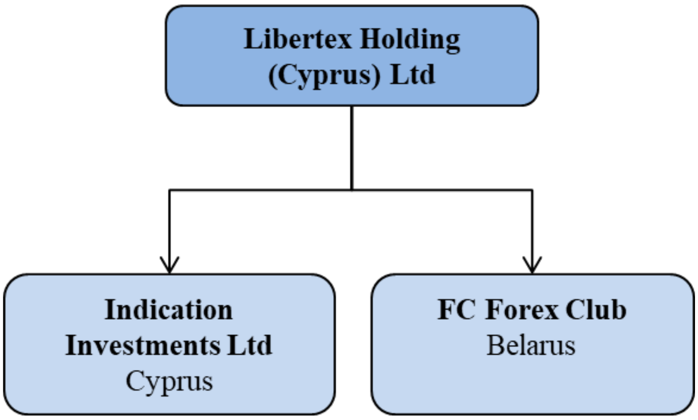
1.2. Scope of application

The Group reviewed its Group structure as at 30 June 2019 as per CySEC's Dear CEO letter and the relevant provisions as stipulated in CySEC's Directive DI144-2014-14 & DI144-2014-14(A) (the "Directive") and CRR and reached to the conclusion that the Group falls under consolidated supervision by CySEC. In this respect, the Company is publishing the disclosures on a consolidated basis and in accordance to the CRR.

The Pillar III disclosures Report (the 'Report') is prepared in accordance with the Pillar 3 disclosure requirements as laid out in Part Eight of the CRR and have as a starting point the financial information used in the Company's Financial Statements which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). As the two documents serve different purposes, the reported figures illustrate differences, which lie on the differences of the fundamental concepts between the CRR and the IFRS. The regulatory exposure classes are based on different criteria from accounting asset types and are therefore not comparable on a line by line basis. Moreover, through financial statements, a company aims to provide the value of all on-balance sheet items at a given point in time, whereas regulatory exposures entail an element of risk which is taken into consideration during the calculation and determination of the said exposures.

Moreover, the Group submitted a declaration duly signed by the Board of Directors (the "Board" of "BoD") to CySEC stating that the parent entity is not required by the International Financial Reporting Standards (IFRS) and/or Companies Law and/or any other legislation to prepare Consolidated Audited Financial Statements in accordance with the Circular C350 and the provisions of IFRS10. In this respect, the Report is based on the Consolidated Management Accounts for the period 31 December 2019 (unaudited) which are prepared in accordance with IFRS and the provisions of the Cyprus Company Law, Cap. 113.

The basis of consolidation of the Group entities for accounting and prudential purposes is presented in the Group Structure below:



The subsidiary companies, their activities and their consolidation method as at 31 December 2019 are presented in the table below.

Table 1: Basis of Consolidation of Group entities for regulatory purposes

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity
Libertex Holding (Cyprus) Ltd	Full consolidation	Full consolidation	Financial Holding Company
Indication Investments Ltd	Full consolidation	Full consolidation	Investment Firm
FC Forex Club BY	Full consolidation	Full consolidation	Financial Institution

1.3. Pillar III Regulatory framework

1.3.1. Overview

This Report has been prepared in accordance with Section 4 (Paragraph. 32) of the Directive for the prudential supervision of investment firms which implements the Regulation and the CRD IV, as well as the relevant provisions of new Law 87(I)/2017 (hereinafter, the "Law"), as amended.

The CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. Furthermore, CRR introduces significant changes in the prudential regulatory regime applicable to institutions including amended minimum capital ratios, changes to the definition of capital and the calculation or risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. Additionally, CRR is immediately binding on all EU member states. CRD IV governs access to internal governance arrangements including remuneration, Board of Directors composition and transparency.

The Regulatory framework consists of a three "Pillar" approach:

- **Pillar I** - Establishes minimum capital requirements, defines eligible capital instruments, and prescribes rules for calculating RWA for credit risk, market risk and operational risk.
- **Pillar II** – Requires firms and supervisors to take a view on whether a firm should hold additional capital against: risks considered under Pillar I that are not fully captured by the Pillar I process (e.g. credit concentration risk), risks not taken into account by the Pillar I process (e.g. interest rate risk in the banking book, business and strategic risk) and factors

external to the firm (e.g. business cycle effects). Pillar II connects the regulatory capital requirements to the Internal Capital Adequacy Assessment Process ("ICAAP") and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and institutions on a continuous basis and to evaluate how well the institutions are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

- **Pillar III** - Market Discipline requires the disclosure of information regarding the risk management policies of the Group, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of original own funds.

1.3.2. Disclosure Policy: Basis and Frequency of Disclosure / Location and verification

The Group has a formal policy, approved by the Board, which details its approach in complying fully with the Pillar 3 disclosure requirements as laid out in Part Eight of the CRR. According to the Directive, the risk management disclosures should be included in either the financial statements if these are published, or on their websites.

The Pillar III disclosure requirements are contained in Articles 431 to 455 of the Regulation. In addition, these disclosures must be verified by the external auditors of the Group and the Group is responsible to submit the external auditors' verification report to CySEC. The Group has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements.

As per the Article 432(1) of the CRR, institutions may omit one or more disclosures, if such disclosures are not regarded as material, except for the following disclosures:

- Regarding the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved (*Article 435 (2) (c)*of CRR).
- Own funds *(Article 437* of CRR).
- Remuneration policy *(Article 450* of CRR).

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Group has considered a disclosure to be immaterial, this was not included in the document.

Disclosures and Confidential Information

The Regulation also provides that institutions may omit one or more disclosures, if such disclosures are regarded as confidential or proprietary. The CRR defines proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an institution's investments therein less valuable.

Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding the institution to confidentiality. Under the light of the above, the Group avoided to disclose such confidential information in this report.

Frequency

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

Medium and location of publication

Institutions may determine the appropriate medium, location and means of verification to comply effectively with the disclosure requirements. In this respect, the Pillar III disclosures are published on: https://libertex.com

Verification

The Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board for approval. The Pillar III disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures have been reviewed by the Risk Manager.

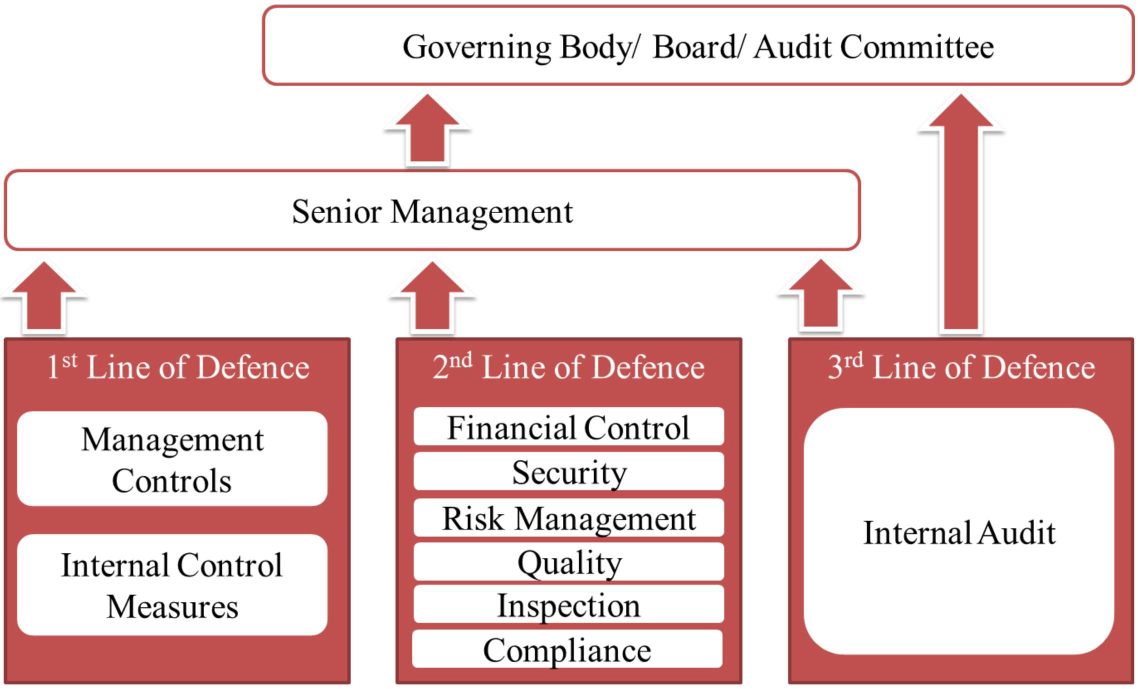
1.4. Risk management objectives and policies

To ensure effective risk management, the Group has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.

First Line of Defence: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with policies and where appropriate defined thresholds. First Line of Defence acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defence: The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them. Integral to the mission of Second Line of Defence is identifying risk areas, detecting situations/activities, in need of monitoring and developing policies to formalise risk assessment, mitigation and monitoring.

Third Line of Defence: Comprises by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally) as well as reviews the relevant policies and procedures. Internal Audit works closely with both the First and Second Lines of Defence to ensure that its findings and recommendations are taken into consideration and followed, as applicable.



1.4.1. Risk Management Framework

Managing risk effectively in a Group operating in a continuously changing risk environment requires a strong risk management culture. As a result, the Group has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Group undertakes the following:

- The adequate risk identification and management
- The establishment of the necessary policies and procedures
- The setting and monitoring of the relevant limits and
- Compliance with the applicable legislation

The Board meets on a regular basis, and receives updates on risk and regulatory capital matters from management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies, procedures and work as well as the Group's risk management policies and procedures as implemented by Management.

As part of its business activities, the Group faces a variety of risks, the most significant of which are described further below. The Group holds regulatory capital against three all-encompassing main types of risk: credit risk, market risk and operational risk.

Recovery and Resolution Plan

CySEC has issued the Circular C351 on 05 February 2020 in order to provide guidance to Full Scope CIFs with respect to the *'Preparation and Submission of Recovery Plans by CIFS'*. Furthermore, CySEC issued on 20 December 2019 the Directive DI20-01 on the *'establishment of simplified obligations as to the content and details of the recovery plans of CIFs'*.

In light of the above, CIFs that are subject to simplified obligations according to paragraph 4 of the Directive DI20-01 should:

a. Submit to CySEC Form 20-01 (the 'Form') which represents the main contents of their recovery plan, by 30 September 2020 (submission period 01 September 2020 – 30 September 2020), and
b. Update the contest of the Form and submit it to CySEC every two years (Second submission should be made by 30 September 2022)

According to the latest available Audited Financial Statements, the CIF, the Company is subject to the simplified obligations and as such the preparation of a recovery plan is not a requirement at this stage. However, it acknowledges the obligation to submit the Form 20-01 which represents the main contents of the recovery plan to CySEC by 30 September 2020. In this respect, the CIF shall comply with the said reporting obligation submitting the form by the designated deadline and updating the contents of the form every two years.

Furthermore and pursuant to section 2(1) of the Law 22(I)/2016 ('law'), which transposes EU Bank Recovery and Resolution Directive 2014/59/EC ('BRRD'), the Central Bank of Cyprus ('CBC') acting as the National Resolution Authority for all credit institution, as well as Cyprus Investment Firms (CIFs) and as such it is responsible for drafting of resolution plans of the aforementioned entities. For the purpose of preparation and implementation of the resolution plans, the Company was requested by CBC to provide the information specified under Annex I of the Regulation 2018/1624 ('CIR') for the first time in early 2021 (for the year 2020).

1.4.2. Risk Statement

The Group's activities expose it to a variety of risks, and in particular to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, group risk, strategic risk, liquidity risk, conduct risk etc. The Group, through its operations, has significant exposure to the economies and financial markets.

Even though the global economy has recorded growth in the latest year after overcoming the latest economic recession, the overall future economic outlook of the economy remains unstable due to the recent developments on the outbreak of Coronavirus (COVID-19).

Following the outbreak of COVID-19 in Cyprus, the Firm has taken the required measures to ensure that its employees have access to its technology infrastructures necessary for the completion of their tasks and that additional system for critical functions are being provided. In this respect, the Business Continuity Plan has been amended accordingly. Moreover, the Group is closely monitoring the impact of COVID-19 on its financial position in order to be able to take proactive measures.

Risk Strategy

The risk strategy of the Group is the responsibility of the Board, which formulates it and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Group's business model. One important characteristic of the Group's risk strategy is the alignment with the strategic and operational targets that are set by the Board. The risks that arise from the implementation of the Group's strategic and business plans are regularly analysed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Group aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risk in line with the overall risk management and risk bearing capacity of the Group. The Group recognises the importance of risk management to its business success and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Group's exposure to the various risks.

Risk Appetite

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events and outcomes. In addition, risk appetite should reflect potential impact on earnings, capital and funding/liquidity.

The Group has a low risk appetite in respect to investing and to managing business and operational activities

According to Financial Stability Board (FSB) an appropriate risk appetite framework (RAF) should enable risk capacity, risk appetite, risk limits, and risk profile to be considered for business lines and legal entities as relevant, and within the group context. The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy.

The Group is assessing its risk appetite in respect to investing and to managing business and operational activities while the Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors.

Table 2: Risk Appetite areas

Indicator	Normal [1]	Warning [2]	Limit [3]
Own Funds	≥€4,500k	<€4,500k	€730k
Common Equity Tier 1 Ratio[4]	≥10.50%	<10.50%	7.00%
Total Capital Ratio[4]	≥14.00%	<14.00%	10.50%
Leverage Ratio	≥5.00%	<5.00%	3.00%
Liquidity Coverage Ratio	≥110.00%	<110.00%	100.00%
Return on Assets	≥5.00%	<5.00%	0.00%
Retained Earnings / Total Equity	≥10.00%	<10.00%	5.00%
Concentration of Funds[5]	≤10.00%	>10.00%	25.00%

Notes

1. *The level of the indicator is within the acceptable limits as per the Group's risk appetite.*
2. *The Group should take proactive actions in order to ensure that the level of the indicator will remain above the acceptable limits.*
3. *The level of the indicator falls below the acceptable limits and as such the Group should proceed with the required actions in order to restore the level of the said indicator to the normal predefined levels,*

4. *Capital Buffers + ICAAP add-on + 1.50% as per the paragraph 18 of the Law 20(I)/2016 have been taken into consideration for Normal and Warning thresholds,*
5. *Large exposure on a single counterparty or a group of connected counterparties limit in accordance with Article 392 of CRR i.e. all exposures more than 10% of eligible capital*

The Risk Appetite framework has been designed to create links to the strategic long term plan, capital planning and the risk management framework.

The Board approves the Group's corporate strategy, business plans, budget, long term plan and ICAAP. The Group employs mitigation techniques defined within the policies, to ensure risks are managed within Risk Appetite.

1.4.3. Risk Culture

Risk culture is a critical element in the Group's risk management framework and procedures. Management considers risk awareness and risk culture within the Group as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture and its importance is also continuously emphasised by the management.

The Group is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Group embraces a culture where each of the business areas is encouraged to take risk–based decisions, while knowing when to escalate or seek advice.

1.4.4. Capital Requirements

Regulatory Capital Buffers

CRD IV is transposed into national laws, which allows national regulators to impose additional capital buffer requirements. Based on the provisions of the Macroprudential oversight of Institutions Law of 2015 which came into force on 1 January 2016, the Central Bank of Cyprus (the "CBC") is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV.

Further to the above, the Macroprudential Authority has decided to activate the capital conservation buffer (the "CCB") having exercised its power. The CCB has been phased-in gradually, starting from 1 July 2016 at 0.625% and increasing by 0.625% every year thereafter, until being fully implemented (2.5%) on 1 January 2019. The Group is obliged to maintain a 2.5% CCB in addition to the CET1 capital maintained for the year 2019 to meet the own funds requirement imposed by Article 92 of the CRR.

According to paragraph 52(2) of the Directive, the Macroprudential Authority may exempt small and medium sized CIFs from holding an institution specific CCyB, in addition to their CET 1 Capital. The Group is obligated to maintain an institution specific CCyB until the next CBC's assessment is made. In accordance with the provisions of this law, the CBC sets, on a quarterly basis, the Countercyclical Capital Buffer (the "CCyB") level in accordance with the methodology described in this law. The CCyB is effective as from 1 January 2016 and is determined by the CBC ahead of the beginning of each quarter. The CBC has set the level of the CCyB rate for Cyprus at 0% for 2019.

In addition, the Group is required to maintain an institution specific CCyB equivalent to their total risk exposure amount multiplied by the weighted average of the countercyclical buffer rates. At present, based on ESRB and BIS website, the countries that have adopted a positive countercyclical capital buffer rate are as shown in the table below:

Table 3: Countercyclical Capital Buffer Rate per Country

Country	Current Rate	
	Date from	CCyB Rate
Bulgaria	01 April 2020	0.50%
Czech Republic	01 April 2020	1.00%
Hong Kong	16 March 2020	1.00%
Luxembourg	01 January 2020	0.25%
Norway	13 March 2020	1.00%
Slovakia	01 May 2020	1.50%

Source: European Systemic Risk Board - as at 20 May 2020

The institution specific CCyB rate of the Group for 31 December 2019 was 0.08%. Please refer to Appendix 1 for further details.

The Macroprudential Oversight of Institutions Law, 2015, also requires the maintenance of additional capital buffer by the systemically important credit institutions and investment firms either at the national level, or at the EU level, referred to as Other Systemically Important Institutions (“O-SII”).

The O-SII capital buffer reflects the cost for an institution of being systemically important and reduces the moral hazard from the support of the institution from the state and the taxpayers and compensates for the higher risk it represents for the national financial system and the potential consequences of its failure. The Group is not obliged to maintain a O-SII capital buffer as it is not a O-SII institution.

1.5. Declaration of the Management Body

The Management Body is required to proceed with an annual declaration on the adequacy of the Group’s risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Group’s risk profile.

The risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Group’s operations. The Board considers that it has in place adequate systems and controls with regard to the Group’s size, risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

2. CORPORATE GOVERNANCE

The systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Group and are capable of responding quickly to evolving business risks, whether they arise from factors within the Group or from changes in the business environment.

2.1. The Board of Directors

The Board has the overall responsibility for the establishment and oversight of the Risk Management Framework. The Board satisfies itself that financial controls and systems of risk management are robust. The number of directorships held by Executive and Non-Executive Directors in the Group do not exceed the maximum number allowed.

The Group has in place the Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, Committees, Senior Management and staff constituting the Group. It also implements and maintains adequate risk management policies and procedures which identify the risks relating to the activities, processes and systems, and where appropriate, set the level of risk tolerated by the Group. The Group adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

2.2. Number of Directorships held by members of the Board

The number of directorships which may be held by a member of the Board shall take into account individual circumstances and the nature, scale and complexity of the Group's activities. Unless representing the Republic, members of the Board of a CIF that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

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

Furthermore, directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations shall not count for the purposes of the above guidelines.

The table below discloses the number of directorships held by members of the management body in entities of the Group as at 31 December 2019.

Table 4: Number of Directorships held

Director	Entity Name	Function	No. Executive Directorships	No. Non-Executive Directorships
Giorgos Stylianou	Indication Investments Ltd	Executive Director	1	-
Alexey Tryfonov	Indication Investments Ltd	Executive Director	1	-
Andrey Nikolev	Indication Investments Ltd	Executive Director	1	-
Michalis Kyriakides	Indication Investments Ltd	Non-Executive Director	-	1
Thomas Xydas	Indication Investments Ltd	Non-Executive Director		4
Vyacheslav Taran	Indication Investments Ltd	Non-Executive Director		1
Zwi Metheniti	Libertex Holding (Cyprus) Ltd	Executive Director	1	-

2.3. Policy on Recruitment

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Group's leadership framework. Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the Group's activities, including the main risks to ensure the sound and prudent management as well as sufficient knowledge, of the legal framework governing the operations.

2.4. Policy on Diversity

The Group is committed to promote a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation. For this purpose, the Group takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age, cultural and educational background, for the Board appointments.

2.5. Information flow on risk to the management body

Risk information flows up to the Board directly from the business departments and control functions. The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues and approves the ICAAP report as shown in the table below:

Table 5: Information flow on risk to management body

	Report Name	Owner of Report	Recipient	Frequency

1	Risk Management Report	Risk Manager	Senior Management, Board, CySEC	Annually
2	Pillar I – CRDIV CoRep Forms	Risk Manager	Senior Management, Board, CySEC	Quarterly
3	ICAAP (Pillar 2) Report	Risk Manager	Senior Management, Board	Annually
4	Pillar 3 Disclosures	Risk Manager	Senior Management, Board	Annually
5	Risk Register	Risk Manager	Senior Management, Board	Annually
6	Compliance Report	Compliance Officer	Senior Management, Board, CySEC	Annually
7	Internal Audit Report	Internal Auditor	Senior Management, Board, CySEC	Annually
8	Anti-money laundering (AMLCO) Report	Anti-money laundering Compliance Officer	Senior Management, Board, CySEC	Annually
9	Audited Financial Statements	External Auditor	Senior Management, Board, CySEC	Annually
10	Form 144-14-11 'Prudential Supervision Information'	Risk Manager	Senior Management, Board, CySEC	Annually
11	Form 20-01 (Recovery Plan)*	Risk Manager	Senior Management, Board, CySEC	Every Two Years
12	Resolution Templates (XBRL)**	Risk Manager	Senior Management, Board, Resolution Authority (CBC)	Annually

*Directive DI20-01 of the Cyprus Securities and Exchange Commission on the establishment of simplified obligations as to the content and details of the recovery plans of CIFs
**Starting from the year 2021

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

3. OWN FUNDS

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

The Group throughout the year under review managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

3.1. Tier 1 & Tier 2 Regulatory Capital

Institutions shall disclose information relating to their own funds. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1(AT1) instruments and Tier 2 (T2) instruments issued by the institution.

The Group's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital. The composition of the capital base and capital ratios of the Group is shown in the following table:

Table 6: Composition of the capital base and capital ratios

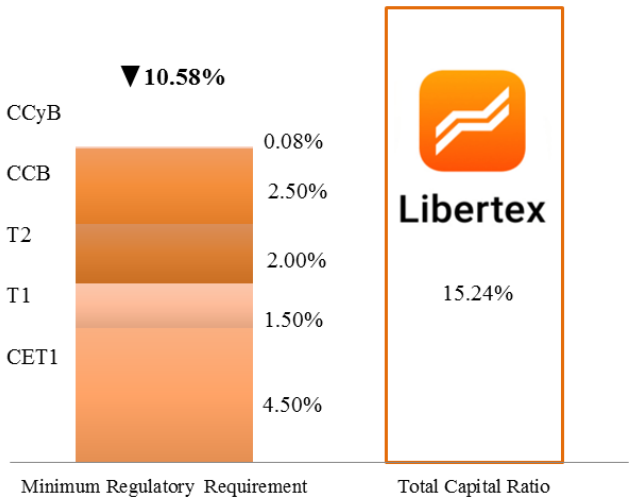
	Libertex Holdings Ltd (Consolidated)
	€000
CET1 capital before regulatory adjustments	
Capital instruments and the related share premium accounts	1
Retained earnings	7,912
Profits for the year not eligible	1,736
CET1 capital: regulatory adjustments	
Intangible assets	(12)
Additional deductions of CET1 Capital due to Article 3 of the CRR (*)	(64)
CET1 capital	**7,837**
AT1 capital	**-**
T1 = CET1 + AT1	**7,837**
Tier 2 (T2) capital	**-**
Total capital (TC = T1 + T2)	**7,837**
Risk weighted assets	
Credit risk	12,363
Market risk	32,940
Operational risk(**)	6,118
Total risk weighted assets	**51,421**
Capital ratios and buffers	

Common Equity Tier 1	**15.24%**
Tier 1	**15.24%**
Total Capital	**15.24%**
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or)-SII buffer), expressed as a percentage of risk exposure amount)	7.08%
of which: capital conservation buffer requirement	2.5%
of which: counter cyclical buffer requirement	0.08%
CET1 available to meet buffers	**7.24%**

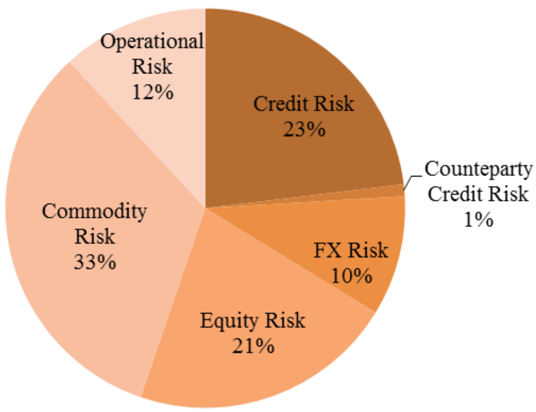
** Treatment pursuant to Circular C162 (Capital adequacy requirements - Change in the treatment of the Investors Compensation Fund ("ICF") Contribution) on 10 October 2016, according to which the contribution to ICF will no longer be risk weighted as an "exposure to public sector entities" pursuant to paragraph 13(3) of Directive DI144-2014-15. The said ICF exposure will be deducted from CET1 Capital pursuant to Article 3 (Application of stricter requirements by institutions) of the CRR. The aforementioned Article gives the member states the power to request from the institutions to hold own funds in excess of those required by the CRR. Moreover, according to the Circular C334 (Treatment of the additional cash buffer of Investors Compensation Fund ('ICF') in the own funds calculation), CIFs should deduct the additional Cash Buffer of 3 per thousand of the eligible funds and financial instruments of their clients as at the previous year calculated according to paragraph 11(6) of the Directive DI87-07 (operation of the ICF)*
***Libertex Holdings Ltd: Calculated based on the consolidated Management Accounts for the period up to 31 December2019*

The figures below illustrate the capital requirements and buffers and the risk weighted exposures breakdown for the Group for the year ended 31 December 2019.

Capital Requirements



Overall Exposure Breakdown



3.2. Main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments

In order to meet the requirements for disclosure of the main features of these instruments, the Group discloses the capital instruments' main features as outlined below:

Table 7: Main features of capital instruments

Capital Instruments Main Feature	Group
Issuer	Libertex Holdings (Cyprus) Ltd
Regulatory Treatment	
Eligible at Solo/(sub-) consolidated/solo	Consolidated
Instrument type	Common Equity
Amount recognized in regulatory capital	€1k
Nominal amount of instrument	€1k
Issue Price	€1
Accounting classification	
Original date of issuance	27 October 2008
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior approval	No
Coupons / Dividends	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	N/A

The Group's capital resources consist of CET1 Capital. No additional Tier 1 or Tier 2 capital available.

3.3. Balance Sheet Reconciliation

The following table provides a reconciliation of own funds between the consolidated balance sheet, as presented in the Consolidated Financial Statements of the Group, and the financial position of the Group prepared for regulatory purposes.

Table 8: Balance Sheet Reconciliation

Equity	**Libertex Holdings Ltd (Consolidated) €'000**
Share capital	1
Retained earnings	7,912
Profit for the year not eligible	1,736
Total Equity as per Audited Financial Statements	**9,649**
Regulatory Deductions	
Intangible Assets	(12)
Additional deductions of CET1 Capital due to Article 3 of the CRR	(64)
Total Own funds as per the CoRep Forms	**7,837**

4. COMPLIANCE WITH REGULATORY CAPITAL AND THE OVERALL PILLAR II RULE

4.1. Internal Capital

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Group aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the business during stressed conditions.

4.2. Approach to assessing adequacy of Internal Capital

The Group shall establish an ICAAP, documented it in a Manual and shall produce in this regard the ICAAP Report, as per the Circular C026 and Circular C027. Upon CySEC's request the ICAAP Report shall be submitted to CySEC.

As per the CySEC's Dear CEO letter and the relevant provisions as stipulated in CySEC's Directive and CRR, the Group reviewed its Group structure as at 30 June 2019 and decided that it falls under consolidated supervision by CySEC. In this respect and as per the Section 3.3 of the Circular C026, the Group will prepare the ICAAP Report based on the consolidated Audited Financial Statements for the year 2019.

The Group will adopt the Pillar I plus approach whereby it determines the minimum capital required under Pillar I methodology and subsequently incorporates in that methodology the risks that are either not covered or are partially covered by Pillar I. The Pillar I variable capital requirement is the sum of the credit risk and market risk requirements and the operational risk. In order to validate the adequacy of the above requirements under the Pillar I calculations, the ICAAP proceeds with the following individual tests:

- The adequacy of the credit and market risk requirements is assessed with reference to all relevant balance sheet items in order to ascertain if there are additional risks that are not covered by Pillar I
- Other risks connected with the balance sheet, such as liquidity risk and concentration risk, are reviewed in order to establish whether there should be an additional requirement that might not be covered under Pillar I
- The overall capital adequacy is tested by adding together the resulting requirement of the identified risks.
- The absolute impact of combinations of scenarios, including a severe market downturn, is considered in relation to the financial forecasts of the business to assess the potential impact on the capital base over a three year period (forward-looking).
- A comprehensive risk assessment is carried out for all risks, categorizing them under a risk profile by attributing the anticipated impact and likelihood of occurrence.
- Finally, additional measures are set for the mitigation of the identified risks as well as capital allocation.

The ICAAP Report describes how the Group implemented and embedded its ICAAP within its business. The ICAAP also describes the Group's Risk Management framework e.g. the Group's risk profile and the extent of risk appetite, the risk management limits if any, as well as the adequate capital to be held against all the risks (including risks other than the Pillar I risks) faced by the Group.

With regards to the 'use test' the following evidence shall be used to support that the ICAAP is embedded within the Firm:

- Senior management or board challenge, review and sign-off procedures; including any relevant notes in minutes from board and risk committee meetings.
- The extent to which the ICAAP is part of the firm's capital management process, including the extent and use of capital modelling or scenario analysis and stress testing within the firm's capital management policy. For example, in setting pricing and charges and the level and nature of future business.

In line with the Basel requirements, the key instruments to help the Group maintain adequate capitalization on an ongoing and forward-looking basis are:

- A strategic planning process which aligns risk strategy and appetite with commercial objectives;
- A continuous monitoring process against approved risk and capital targets set;
- Regular risk and capital reporting to management; and
- An economic capital and stress testing framework which also includes specific stress tests to underpin the Group's recovery monitoring processes.

5. PILLAR I CAPITAL REQUIREMENTS

The following tables show the overall Pillar I minimum capital requirement and risk weighted assets for the Group under the Standardised Approach to Credit Risk, Market Risk and the Basic Indicator Approach for the Operational Risk.

5.1. Credit Risk

In the ordinary course of business, the Group is exposed to credit risk, which is monitored through various control mechanisms. Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The Group has policies to diversify risks and to limit the amount of credit exposure to any particular counterparty in compliance with the requirements of the Directive. The Group continuously monitors the fair value calculations, forecast and actual cash flows, and cost budgets so that to ensure that the carrying level of Group's own funds and consequently the Capital Adequacy ratio meet the regulatory requirements at all times.

Trade receivables are shown net of any provision made for impairment. The management believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in the trade receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

5.1.1. Credit risk adjustments

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or 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.

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. For those trading receivables that are 90 days or more past due, in non-accrual status, the Group classifies them as "in default", thus an impairment test will emerge. A financial asset is past due if a counterparty has failed to make a payment when contractually due.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a receivable is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income. None of the derivative financial instruments is either past due or impaired.

IFRS 9 Impairment

IFRS 9 introduced a new model for recognition of impairment losses – the expected credit losses (“ECL”) model. The new rules require that entities will have to record an impairment loss equal to the 12-month ECL for financial assets that have not suffered a significant increase in credit risk since initial recognition. Where there has been a significant increase in credit risk since initial recognition, impairment is measured using lifetime ECL rather than 12-month ECL. Entities must calculate probability of default (“PD”), losses given default (“LGD”) and exposures at default (“EAD”) to estimate expected credit loss provisioning amounts. The model includes operational simplifications for lease and trade receivables which require lifetime losses to be calculated.

The Group has the following types of financial assets that are subject to the expected credit loss model: cash and cash equivalents The Group provides for credit losses against loans to related parties, receivables, other receivables, and cash and cash equivalents. The loss allowance was not reflected on the position as it is the Group's policy not to adjust for immaterial amounts. The first €100.000 has been deducted from the calculation in case of EU banks under the Deposit Guarantee Scheme.

5.1.2. Credit Risk – Risk Weighted Assets

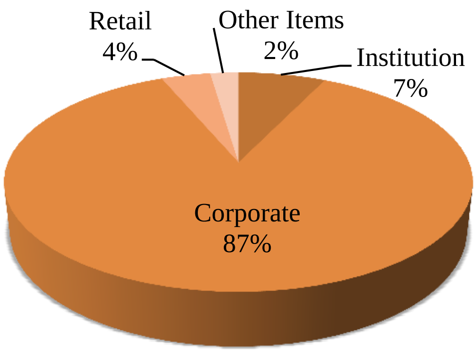
The minimum capital requirement for Credit risk is calculated by exposure using a factor of 8%. The following table shows the risk-weighted exposure amounts and the corresponding minimum capital requirements as at 31 December 2019 for the Group, broken down by exposure class.

Table 9: Exposure classes as at 31 December 2019

Exposure class	Risk Weighted Assets €000	Capital Requirements €000
Institutions	886	71
Corporates	10,692	855
Retail	498	40
Other Items	286	23
Total	**12,363**	**989**

The Regulation requires disclosure for additional asset classes. These have not been shown in the table above as these are nil as at the reporting period.

Credit Risk - Risk Weighted Assets

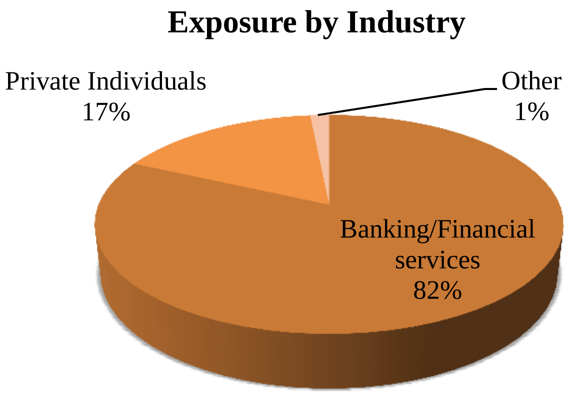


5.1.3. Credit Risk – Distribution of exposures by industry

The Group shall disclose the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate as follows:

Table 10: Exposures by industry

Exposure class	Banking/Financial services	Private Individuals	Other	Total
	€000	€000	€000	€000
Institutions	4,428	-	-	**4,428**
Corporates	10,692	-	0	**10,692**
Retail	-	3,071	-	**3,071**
Other Items	-	-	287	**287**
Total	**15,120**	**3,071**	**287**	**18,478**



5.1.4 Residual maturity broken down by exposure classes

The Group shall disclose the residual maturity breakdown of all the exposures, broken down by exposure classes, as follows:

Table 11: Residual maturity broken down by exposure class

Exposure Class	Residual Maturity ≤ 3 months	Residual Maturity > 3 months	Total
	€000	€000	€000
Institutions	4,428	-	**4,428**
Corporates	7,413	3,279	**10,692**
Retail	3,071	-	**3,071**
Other Items	287	-	**287**
Total	**15,198**	**3,279**	**18,478**

5.2. Use of ECAIs

The Group shall disclose the names of the nominated External Credit Assessment Institutions (“ECAIs”) and the exposure values along with the association of the external rating with the credit quality steps.

The Group uses external credit ratings from Moody's. These ratings are used for all relevant exposure classes. The general ECAI association with each credit quality step is as follows:

Table 12: ECAI Association with each credit quality step

Credit Quality Step	Moody's Rating	Corporate	Institutions			Sovereign
			Sovereign method	Credit Assessment method		
				Maturity > 3 months	Maturity 3 months or less	
1	Aaa to Aa3	20%	20%	20%	20%	0%
2	A1 to A3	50%	50%	50%	20%	20%
3	Baa1 to Baa3	100%	100%	50%	20%	50%
4	Ba1 to Ba3	100%	100%	100%	50%	100%
5	B1 to B3	150%	100%	100%	50%	100%
6	Caa1 and below	150%	150%	150%	150%	150%

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, as specified in Article 121 of CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions could receive a favourable risk weight of 20% if specific conditions are met.

The Other Items category includes tangible assets, debtors and prepayments risk weighted at 100%, cash items in the process of collection risk weighted at 20% and cash in hand risk weighted at 0%.

Exposures to corporate clients were risk weighted by 100% risk factor since they were all unrated and were incorporated in countries with no credit rating or with credit assessment up to credit quality step 5.

Table 13: Breakdown of exposures by asset class and risk weight under the Standardised approach

Exposure Class	Risk Weight				Total	Of which unrated
	0%	20%	75%	100%		
	€000	€000	€000	€000	€000	€000
Corporate	-	-	-	10,692	**10,692**	10,692
Institutions	-	4,428	-	-	**4,428**	961
Retail	-	-	3,071	-	**3,071**	3
Other Items	0	-	-	286	**287**	287
Total	**0**	**4,428**	**3,071**	**10,979**	**18,478**	**11,943**

The table below presents exposure values before and after credit risk mitigation of the Group, corresponding to Credit Quality Steps (CQS). The values before credit risk mitigation represent the initial exposure value net of value adjustments while the values after credit risk mitigation represent exposures taking into account the eligible financial collateral funded and unfunded credit protection.

Table 14: Exposures before and after credit risk mitigation as at 31 December 2019

Credit Quality Step	Exposure values before credit risk mitigation €000	Exposure values after credit risk mitigation €000
CQS 1	4,112	4,112
CQS 4	33	33
Unrated	14,333	11,927
Total	**18,478**	**16,072**

5.3. Securitisations

The Group is not an active participant in the origination of securitisations (meaning pooled assets with tranche risk), and accordingly detailed Pillar III disclosures are not made.

5.4. Counterparty Credit Risk

Counterparty Credit Risk ("CCR") may be defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial derivative instruments, repurchase agreements and long settlement transactions.

The Group takes margin cash deposits as funded credit protection (collateral) for derivatives and uses the Financial Collateral Comprehensive Method for calculation of the funded credit protection. The Group in its ordinary course of business uses over the counter (OTC) derivatives to hedge exposures, i.e. interest rate and foreign exchange risk.

The Group's counterparty credit risk as at 31 December 2019 was €496k. The table below shows the analysis of CCR by exposure type:

Table 15: Counterparty Credit Risk Exposures

Type of exposure	Positive Fair Value	Negative Fair Value	Notional Value	Exposure Amount before CRM	Exposure Amount after CRM	Risk Weighted Assets	Capital Requirements
	€000	€000	€000	€000	€000	€000	€000
Interest-rate	-	-	-	-	-	-	-
FX rates & Gold	258	(55)	34,671	604	33	25	2
Equities	148	(75)	18,740	1,273	392	294	23
Precious metals except gold	10	(19)	2,310	171	78	58	5
Commodities other than precious	260	(19)	7,587	1,019	159	119	10

metals							
Total	**676**	**(168)**	**63,308**	**3,068**	**661**	**496**	**40**

Counterparty Policies with respect to wrong-way risk exposures

Wrong-way risk occurs when the exposure to a particular counterparty is positively correlated with the Probability of Default ('PD') of the counterparty itself or where there is an adverse correlation between counterparty's PD and the mark-to-market value of the underlying transaction. A wrong-way trading situation can be defined as the condition where the exposure to the counterparty increases, while the counterparty's financial situation and its ability to pay on the transaction diminishes.

As part of the credit review process, basic assumptions are established regarding correlations for a given trading product.

The management of wrong-way risk is integrated within the Group's overall credit risk assessment approach and is subject to a framework for identification and treatment of wrong-way risk, which includes governance, processes, roles and responsibilities, methodology, scenarios, reporting, review and escalation.

A conservative treatment for the purpose of calculating exposure profiles is applied to material trades with wrong-way risk features. The wrong-way risk framework applies to OTC, securities financing transactions and centrally cleared trades. If material correlation is identified, the collateral is deemed ineligible for regulatory risk calculations and risk is measured on an uncollateralised basis.
The risk is not currently measured as it is not anticipated to be significant given the existence of cash collateral/margin for almost all derivative transactions, which significantly reduces Counterparty Credit Risk.

5.5. Market Risk

Market risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. From a regulatory perspective, market risk stems from all the positions included in banks' trading book as well as from commodity and foreign exchange risk positions in the whole balance sheet.

As per the requirements of the Regulation, the Group shall disclose the own funds requirements for Market Risk exposures.

The Group benefits from a number of factors that reduce the volatility of its revenue and protect it from significant changes in market conditions such as its product range. This diversification leads to a significant reduction in the Group's exposure to price risk. The Group's exposure to risk price at any point in time depends primarily on short-term market conditions and client activities during the trading day, hence the exposure at each reporting date may not be representative of the price risk exposure faced by the Group over the year.

The following table discloses the Group's market risk as 31 December 2019

Table 16: Market Risk Exposure

Risk Weighted Assets	2019 €000
Equity	11,048
Foreign Exchange	4,996
Commodities	16,896
Total Market Risk Exposure	**32,940**
Total Market Risk Requirements	**2,635**

5.5.1. Equity Risk

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of transactional foreign currency exposures or interest rate risks. The Group has market price risk as a result of its trading activities in CFDs on stocks, indices, commodities, ETFs, etc.

The sum of the absolute values of all the Group's net long positions and all its net short positions is its overall gross position. The Group calculates, separately for each market, the difference between the sum of the net long and the net short positions. The sum of the absolute values of those differences is its overall net position. The specific risk on this individual equity can be ignored if the stock-index future in question is exchange traded and represents a relevant appropriately diversified index.

The Group multiplies its overall gross position by 8% in order to calculate its own funds requirement against specific risk. The own funds requirement against general risk are the Group's overall net position multiplied by 8%.

Table 17: Capital requirements for position risks in equities

	Total Exposure **€000**	Capital requirements **€000**
General Risk	10,362	826
Specific Risk	686	55
Total	**11,048**	**884**

5.5.2. Foreign Exchange Risk

The Group's reporting currency is Euro. Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group is exposed to foreign currency risk arising from various currency exposures. Furthermore, funds deposited by clients may not always be maintained in the originally deposited currency but may instead be converted to other currencies on the basis of the management's decisions. This may expose the Group to Foreign currency risk. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

If the sum of the Group's overall net foreign-exchange position and its net gold position exceeds 2% of its total own funds, the Group calculates own funds requirements for foreign exchange risk. The own funds requirement for foreign exchange risk is the sum of its overall net foreign-exchange positions and its net gold position in the reporting currency, multiplied by 8%.

The foreign exchange risk in the Group is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair.

The Group's foreign exchange risk capital requirement is €400k emanating from a net foreign exchange exposure of €3,642k based on the latest relevant calculations of the Group's capital requirements, as at 31st of December 2019.

Closely Correlated Currencies

Following the EBA's Final draft Implementing Technical Standards on Closely Correlated Currencies under Article 354 (3) of CRR, the Group may apply lower own funds requirements against positions in relevant closely correlated currencies as those are disclosed by EBA. In this respect, for the calculation of the foreign exchange risk for matched positions on closely correlated currencies, a capital requirement of 4% instead of 8% is used.

The Group's matched positions in closely correlated currencies for the period up to 31 December 2019 were €51. In this respect, please find below the analysis of the Group's exposure to Foreign Exchange Risk as at 31 December 2019:

Table 18: Foreign Exchange Risk

	Net Positions		2% total own funds	Positions Subject To Capital Charge			Own Funds Requirements	Total Risk Exposure Amount
	Long	Short		Long	Short	Matched		
TOTAL POSITIONS	**12,964**	**1,200**	**154**	**23,454**	**-**	**0**	**400**	**4,996**
Currencies closely correlated	10,490	0		10,490	-	0	0	
of which: reporting currency	7,968	-		7,968	-			
All other currencies	1,120	1,200		3,642	-		291	
Gold	1,355	-		1,355	-		108	

5.5.3. Commodities Risk

The risk of the unexpected changes in commodities prices. These commodities are split into precious metals (except gold), base metals, agricultural products and other energy products (oil gas). The Group calculates its capital requirement with respect to commodities risk using the Simplified Approach. Each position in commodities or commodity derivatives is expressed in terms of the standard unit of measurement. The spot price in each commodity is expressed in the reporting currency.

The capital requirements for each commodity are calculated as the summation of the following:

- 15% x net position (long or short) x spot price for the commodity
- 3% x gross position (long plus short) x spot price for the commodity

The overall capital requirements for commodities risk are the sum of capital requirements for each commodity. The Group's Commodities risk for the year was €16,896k as shown in the table below.

Table 19: Capital requirements for Commodities risk

Category	Net short €000	Net Long €000	Capital Requirements €000	Risk Exposure Amount €000
Precious Metals	-	2,163	389	4,866
Base metals	-	30	5	68
Agricultural products	134	212	62	779
Other	2,092	2,878	895	11,183
Total	**2,226**	**5,283**	**1,352**	**16,896**

5.5.4. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its bank deposits and from the interest charged on the derivative financial instruments that remain open overnight.

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities. The bank balances held in current accounts have no significant interest.

The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

5.6. Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The following list presents some event-type categories, included in operational risk, with some examples for each category:

Internal Fraud	• misappropriation of assets; • tax evasion; • intentional mismarking of positions; • bribery.
External Fraud	• theft of information; • hacking damage; • third-party theft; • forgery.
Employment Practices and Workplace Safety	• discrimination; • workers compensation; • employee health; • safety.
Clients, Products, & Business Practice	• market manipulation; • antitrust; • improper trade;
Damage to physical assets	• damage to physical assets from a natural disaster, e.g. earthquake
Business Disruption & Systems Failures	• utility disruptions; • software failures; • hardware failures.
Execution, Delivery, & Process Management	• data entry errors; • accounting errors; • failed mandatory reporting; • negligent loss of Client assets.

The Group manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

Furthermore, the Group has in place policies and processes whose implementation assists with the evaluation and management of any exposures to operational risk.

The Group has implemented an operational risk management framework designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner consisting of, inter alia, the following components:

- Maintaining a four-eye structure and implementing board oversight over the strategic decisions made by the heads of departments;

- A Disaster Recovery Plan has been designed in order to be used in the event of a force majeure affecting the Group's internal systems and databases; and
- Maintenance of Risk Registers in the Context of the ICAAP;
- A Business Continuity Plan has been implemented which helps protect all of the Group's information databases including data, records and facilities.
- The majority of actions occurring in the Group's systems are automated and therefore it is less likely that a human error will occur;
- Review of risks and controls as part of the Internal Audit function;
- Regular review and updating of the Group's policies;

Following the outbreak of COVID-19 in Cyprus, the Firm has taken the required measures to ensure that its employees have access to its technology infrastructures necessary for the completion of their tasks and that additional system for critical functions are being provided. In this respect, the Business Continuity Plan has been amended accordingly.

For the calculation of the Operational Risk in relation to the capital adequacy reports, the Group uses the Basic Indicator Approach (BIA). Under the BIA, the own funds requirement for operational risk is equal to 15% of the average over three years of the relevant indicator. Consequently, based on the relevant calculations the Group's exposure to Operational Risk, as at 31 December 2019, was **€6,118k** as provided by the table below:

The tables below show the Group's exposure to Operational Risk:

Table 20: Operational Risk capital requirements

2019	Year -3	Year -2	Last Year	Total Exposure	Capital Requirements
	€000	**€000**	**€000**	**€000**	**€000**
Total	3,412	3,634	2,743	6,118	489

Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15% of the average of three years of the above relevant indicator, resulting to **€489k** capital requirements.

5.7. Credit Valuation Adjustment Risk

Credit Valuation Adjustment (CVA) means an adjustment in the mid-market valuation of the portfolio of transactions with a counterparty. This adjustment reflects the current market value of the credit risk of the counterparty to the Group. The Group calculates CVA risk for Securities financing transactions, for transactions with qualifying central counterparties and transactions with financial counterparties.

The Group uses the standardised method in order to captures the credit risk of derivative counterparties not already included in Counterparty Credit Risk (CCR) (i.e. the potential loss on derivatives due to increase in the credit spread of the counterparty).
As at 31 December 2019, the CVA Risk was zero.

6. LEVERAGE RATIO

The Group shall disclose the Leverage Ratio and how it applies the definition of Tier 1 Capital. The leverage ratio is a supervisory tool for the European Union, which it is in line with international agreements. Moreover, it is a supplementary non-risk based ratio that aims in monitoring the excessive built-up of leverage on the balance sheet of institutions. The leverage ratio is expressed as a percentage of Tier 1 Capital over the total leverage exposure measure.

The total leverage exposure measure is defined as the sum of exposure values of all assets and all off-balance sheet items not deducted when calculating Tier 1 Capital. The Leverage Exposure measure includes:

- All On-balance sheet assets;
- Derivative exposures;
- Securities Financing Transaction exposures;
- Other non-trading book exposures.

The Basel Committee has set a benchmark of 3% for a minimum Leverage ratio.

As at 31 December 2019, the leverage ratio of the Group was **42.41%** on a consolidated basis. The table below provides a breakdown of total leverage ratio exposures for the group.

Table 21: Leverage Ratio

	Libertex Holdings Cyprus Ltd (Consolidated)
Exposure Values	**€000**
Derivatives: *Replacement cost associated with all derivatives transactions*	676
Derivatives: *Add-on amounts for PFE associated with all derivatives transactions*	2,391
Other assets: *On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)*	15,410
Total exposures	**18,478**
Capital and regulatory adjustments	
Tier 1 Capital	**7,837**
LEVERAGE RATIO	**42.41%**

The Group monitors leverage closely in order to ensure that any possible excess of the Leverage Limit will be identified and managed promptly. The Group's leverage ratio is well above the minimum ratio of 3%.

7. OTHER RISKS

7.1. Concentration Risk

Concentration Risk includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc. Concentration risk was partly addressed through diversification of counterparties, namely banking institutions.

The Group's experience in the collection of trade receivables has never caused debts which are past due and have to be impaired. The Group has a policy in place to monitor debts overdue by preparing debtors ageing reports.

Large Exposures

The Group shall disclose any additional capital requirements derived from large exposures in the Group's trading book.

A large exposure is defined as the total exposure of a firm to a client or group of connected clients, whether in the banking book or trading book or both and its value is equal to or exceeds 10% of its eligible capital.

Where the amount of €150 million is higher than 25 % of the institution's eligible capital the value of the exposure, after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403 shall not exceed a reasonable limit in terms of the institution's eligible capital. That limit shall be determined by the institution in accordance with the policies and procedures referred to in Article 81 of Directive 2013/36/EU, to address and control concentration risk. This limit shall not exceed 100 % of the institution's eligible capital.

Large exposures related to the trading book are subject to additional capital requirements as per the Article 397 of the CRR. Moreover, the capital charge is associated with the trading book exposure for each client or group of connected clients exceeding the large exposure limit times a multiplier which is defined on table 1 of the aforementioned article.

According to Paragraph 61- Limitations on exposures to directors and shareholders of the Directive, a CIF is not allowed to have exposures to all its directors more than 1% and to all its shareholders that are not an institution, more than 2% of its eligible capital. Exposures to shareholders and directors are monitored and kept within the limits.

Furthermore, the allowable limits to institutions (100% of the total eligible capital) and to non-institutions (25% of the total eligible capital) are closely monitored and controlled. As at 31 December 2019 the Group had large exposure with the 3 financial institutions in the banking book where their values exceed the maximum allowable limits (i.e. 25%) set by the Directive. Moreover, the Group had exposures with 2 institutions where their values exceed only the reportable limit of 10% as per the CRR

The Group were closely monitored the large exposures in order to maintain the exposures below the limits.

7.2. Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Group on the part of customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Group's key directors, the loss of large customers, poor customer service, fraud or theft, customer claims, legal action and regulatory fines.

The Group has transparent policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with customer claims is very low as the Group provides high quality services to customers.

7.3. Strategic Risk

Strategic Risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Group's exposure to strategic risk is moderate as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Group.

7.4. Business Risk

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

7.5. Capital Risk Management

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

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

7.6. Regulatory Risk

Regulatory risk is the risk the Group faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Group has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Group's control framework at least annually. Therefore the risk of non-compliance is very low.

7.7. Legal and Compliance Risk

Legal and Compliance Risk could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. Following the replacement of the Law 144(I)/2007 by Law 87(I)/2017 for the purpose of harmonization with MIFID II, several regulatory changes were applied that may cause the exposure to compliance risk. The Group among others is also exposed to legal and compliance risk arising from inability or inadequate arrangements to comply with the requirements related to the:

- Product Governance (Circular C236, Directive DI87-01),
- New rules governing derivatives on virtual currencies (Circular C268),
- Commission Delegated Regulation of 8 June 2016 of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution,
- Policy Statement on the Risk Management Arrangements of Cyprus Investment Firms Providing Investment Services in CFDs,
- European Securities and Markets Authority Decision (EU) 2019/155 of 23 January 2019 renewing the product intervention measures relating to the marketing, distribution or sale of contracts for differences to retail clients,
- Provisions of the General Data Protection Regulation (GDPR) 2016/679
- 4th AML Directive (Directive (EU) 2015/849)
- 5th AML Directive (Directive (EU) 2015/849)
- EMIR Refit

The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Group and regular reviews by the Internal Auditors. The structure of the Group is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Group's strategic targets and goals. In addition, the Board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management. Finally and with respect the Implications of NBP, the Company has contractual agreements with solely with European Economic Area regulated entities and as such is not required to maintain a minimum additional capital buffer.

7.8. IT Risk

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 Group's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

7.9. Risk Reporting

The Group maintains a system in place to record any risk event incurred on a special form duly completed by personnel of each department and is submitted to the Compliance officer and Risk manager when such event occur.

7.10. Liquidity Risk

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has policies and procedures with the object of minimizing such losses.

7.11. Conduct Risk

Conduct risk is defined as the risk of an action, by an individual, financial institution or the industry as a whole, which leads to customer detriment or, undermines market integrity. This can bring sanctions and negative publicity. Moreover, EBA has defined conduct risk as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct. Consequently, conduct risk arises from failures of designated liquidity providers located in third countries associated with the Group.

Additionally, the Group is exposed to negative balances with its Liquidity Providers, in case of fast-pacing volatile market, where the LP cannot close a position at the stop out limit. Therefore, the Group may be exposed to conduct risk arising from inadequate agreements with the Liquidity Providers and/or with the third parties that hold client's funds.

As part of risk management policy and tools, the Group 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 Group is ready to switch to alternative LPs, if necessary. Furthermore, the receivable/payable amounts with the LPs are monitored on a daily basis. In particular, the Group examines its existing procedures and arrangements with respect to the products offered and services provided.

Further to the above, the agreement of MoUs between CySEC and FCA is expected to maintain investors' protection via the appropriate communications channels between the two competent authorities and as such nay negative impact on the Group's risk profile due to hard Brexit Scenario is mitigated.

Product Intervention Measures on CFDs and Binary Options

The Cyprus Securities and Exchange Commission has published a Policy Statement dated 10 July 2019, on its decision to impose permanent national measures regarding the marketing, distribution and sale of binary options, pursuant to the Article 42 of the EU Regulation No 600/2014.

In this respect and following ESMA's measures in relation to binary options, CySEC permanently prohibits the marketing, distribution and sale of the binary options to retail clients from or in the Republic of Cyprus, irrespective of whether these are traded on OTC markets or on organised exchanges.

Moreover, CySEC issued Policy Statement IV (PS-04-2019) to summarise the feedback received in response to CP-02-2019 and contains CySEC's final position on the matter by way of Directive DI87-09 which has been published in the Official Gazette of the Republic of Cyprus.

According to the PS-04-2019, CySEC adopts the same leverage limits as ESMA's for all retail clients. Therefore retail clients will be required to pay at least the following initial margin protection of the notional value of the CFD (i.e. leverage limits):

Type of Underlying	Initial Margin Protection	Leverage Limit
Major Currency Pairs	3,33%	30:1
Non-major currency pairs, gold and major indices	5%	20:1
Commodities other than gold and non-major equity index	10%	10:1
For individual equities and other reference values;	20%	5:1
Crypto assets	50%	2:1

CySEC also clarifies what are the grey area of Target Market and the trades of significant size. The specific terms are used in the ESMA Guidelines on MiFID II Product Governance Requirements and in MiFID II (elective professional status eligibility) respectively.

Further to the above and with respect to the Margin Close-out protection and the Negative Balance protection requirement, CySEC decided to proceed with the measures adopted by ESMA.

Moreover and as regards the risk warning, CySEC does not share the view:

a) That an annual assessment of the content of the warning would provide up to date data to clients and prospective clients, in order to be able to make an informed decision; or
b) That the marketing intensity is relevant to the content of the risk warning.

CySEC took note of the proposal to request that the risk warning includes details on the average loss/average gain of retail client per account. However in view of the fact that further clarity is needed as to the practical implementation and that such requirement is substantive and such option was not included in CP-02-2019, is in CySEC's view premature to examine such option and its possible merits or risks.

Moreover, CySEC proposed under CP-02-2019 to adopt the same requirements as provided for in the ESMA Decision on CFDs in relation to NBP and the restriction on the incentive offered to trade CFDs.

In addition to the above, CySEC has also took note of the UK's FCA and Austria's Finanzmarktaufsichtsbehörde (FMA) approach, in relation to the content of the risk warning for new firms that do not have 12 months of retail client trading data. In CySEC's view such warning reflects the risks of trading in CFDs in an equivalent manner without using data that might not be relevant for the firm in question.

In addition to this, a predefined range as per the ESMA's warning for newcomers will need to be constantly revaluated by CySEC in order to ensure that it reflects the current conditions in the market on ongoing basis, rendering such risk warning administratively burdensome. To this end CySEC believes that the risk warning proposed for newcomers is justified and proportionate.

In view of the above CySEC will proceed with adopting the same risk warning as ESMA's, except for the case of new firms that do not have 12 months of retail client trading data where we request that the percentage range is replaced with a reference stating that "The vast majority of retail client accounts lose money when trading in CFDs" in the durable medium and webpage standard risk warning and in the abbreviated standard risk warning and with a reference stating that "'CFD-retail client accounts generally lose money" in the reduced character standard risk warning.

In particular, the CFD provider should not send directly or indirectly a communication to or publish information accessible by a retail client relating to the marketing, distribution or sale of a CFD unless it includes the appropriate risk warning specified by and complying with the conditions provided.

8. REMUNERATION POLICY

The Group have established remuneration policy that aims to set out the remuneration practices taking into consideration the salaries and benefits of the staff, in accordance with the provisions of Directive as well as the Circular 031 on remuneration policies and practices, where these comply with specific principles in a way and to the extent that is appropriate to the Group's size, internal organization and the nature, scope and Group's remuneration strategy is designed to reward and motivate the people who are committed to maintaining a long term career with the Group and performing their role in the interests of the Group.

The design of the Policy is approved by the people who effectively direct the business, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance. The people who effectively direct the business are responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks, that remuneration policies and practices can create. The Board discusses remuneration policy matters at least annually.

Furthermore, the Policy also benefits from the full support of senior management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures. The Policy adopts and maintains measures enabling them to effectively identify where the relevant person fails to act in the best interest of the client and to take remedial action.

Finally, the Policy aims to (i) provide for sufficient incentives so as the relevant persons, -to achieve the business targets, (ii) deliver an appropriate link between reward and performance whilst at the same time consisting of a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and /or misselling practices in light of financial incentives schemes, which could lead to compliance risks for the Group in the long-run.

8.1. Remuneration System

The remuneration system and policy is concerned with practices for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board; the said practices are established to ensure that the rewards for the "executive management" are linked to the Group's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels. The remuneration is a significant method of attracting and retaining key employees whose talent can contribute to the short and long term success of the business.

The remuneration mechanisms employed by the Group are well known management and human resources tools that take into account the employee's skills, experience and performance, whilst supporting at the same time the long-term business objectives. One of the key factors considered is an appropriate link between performance-based variable remuneration whilst ensuring base salary levels are not set at artificially low levels. Other factors taken into account are the following:

(i) the financial viability of the Group;
(ii) the general financial situation of the state in which the Group operates;
(iii) the Employee's personal objectives (such as personal development), compliance with regulatory requirements (including the "best execution policy" and other protective

policies aiming towards the best interest of the client), systems and controls, commitment and work ethics;

The remuneration system takes into account the highly competitive sector in which the Group operates, and the considerable amount of resources the Group invests in each member of the staff. The remuneration includes all forms of benefits provided by the Group to its staff and can be Financial or non-Financial remuneration.

It is noted that the Group has taken into account its size, internal organisation and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board level while the remuneration policy is periodically reviewed.

The remuneration varies for different positions/roles depending on each position’s actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for a staff member to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors. Furthermore, the employee’s personal goals and performance evaluation in relation to the objectives set up at the beginning of the period and the employee’s professional conduct with clients are taken into account in order to determine the remuneration.

The total remuneration of staff currently consists of a fixed and a variable component. On the one hand, the Fixed Remuneration (FR) has purpose to attract and retain employees. This fixed amount of remuneration includes salary, fixed pay allowance and other cash allowances and all are determined based on the role and position of each employee, taking into account the experience, seniority, education, responsibility, and market conditions. Benefits provided to the Group’ Relevant Persons, such as private health insurance, are not employee performance-related and are considered part of the fixed Remuneration.

The variable remuneration is a performance-based remuneration which motivated and rewards staff members based on their results in relation with the targets set in the beginning of the year. This kind of remuneration is not guaranteed and the BoD has determined a maximum percentage of variable remuneration relative to the fixed remuneration in order to ensure a compliant ratio between these two kinds of remuneration. Although, the maximum limit on variable remuneration set at 100% of fixed salary, the limit could be set at 200% upon shareholders’ approval according to the Article 94 of Directive 2013/36/EU.

Furthermore there no remuneration is payable under deferral arrangements (with vested or unvested portions). Finally the Group did not pay any non-cash remuneration for the year under review, since the does not have non-cash instrument, such as shares or other equivalent non-cash instrument, in place.

8.2. Link between the pay and performance

The Group recognises the responsibility that the Staff has in driving its future success and delivering value for the business and that remuneration is a key component in motivating and compensating its employees.

The Group shall ensure that where remuneration is linked with performance, the total amount of Remuneration is based on a combination of the performance assessment of:

a. the individual (quantitative as well as qualitative criteria-except those who perform their duties on Control Functions where only qualitative criteria apply- are taken into account; annual performance evaluation and performance rating are taken into account),
b. the business unit concerned, and
c. the overall results of the Group and as long as conflicts of interest are mitigated, as described in this Policy.

Further to the above, the Group implements a performance appraisal method, which is based on a set of Key Performance Indicators, developed for each business unit and its target is to promote the healthy competition amongst personnel, analysis of weak and strong sides of each employee performance-based and give feedback to the staff member in order to motive them to be improved. At the most of the times, the performance appraisal takes place in a multiyear framework in order to ensure that the appraisal process assess employee’s long-term performance. However, sometimes the performance appraisal is performed on medium and short-term basis, and the performance indicators of this type of performance appraisal include quantitative as well as qualitative criteria.

Additionally, performance appraisal on medium and short-term is being performed as follows:

a. Objectives are set in the beginning of each year (depending on the department appraisal process) defining what the Group functions, departments and individuals are expected to achieve during the year and half annually.
b. Performance checks and feedbacks: managers provide support and feedback to the concerned staff annually and semi-annually, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
c. Annual performance review: takes place annually

8.3. Remuneration of Senior Management Personnel and Directors

The remuneration policy is intended to ensure that the business will attract and retain the most qualified Senior Management Personnel and Directors. As stated above, in the criteria used for determining the remuneration of the directors are segregated into quantitative and the qualitative criteria.

The quantitative remuneration criteria mostly rely on numeric and financial data such as the business’s performance and the individual performance evaluation and ratings of each member of the staff whose professional activities affect the risk profile of the firm.

In addition to the quantitative criteria, the Group has put in place qualitative criteria which include compliance with regulatory requirements and internal procedures, fair treatment of clients and client satisfaction. Moreover, the remuneration of the non-executive directors is fixed and it is set at a level that is market aligned and reflects the qualification and competencies required based on the business’s size and complexity, the responsibilities and the time that the non-executive directors are expected to consume.

The remuneration of the senior management personnel, including Board are shown in the following tables:

Table 22: Remuneration analysis split by Senior Management and key management personnel

2019	Executive Directors €	Key Management personnel €
Fixed reward	99,553	186,968
Variable reward	9,553	26,933
Total	**99,553**	**186,968**
Number of beneficiaries	3	7

**The variable to fixed remuneration ratio as at 31 December 2019 was 13%.*

Companies are required to disclose the number of natural persons that are remunerated €1mln or more per financial year, in pay brackets of €1mln, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Group that are remunerated €1mln or more per financial year and as such the above disclosure is not applicable. No sign-on payments have been awarded during 2019, while no severance payments were paid during the year.

Furthermore, aggregate remuneration analyzed by business area is presented below

Table 23: Aggregate remuneration analysis by business area

Business Area	Aggregate Remuneration €
Control Functions	153,171
Dealing on Own Account Department	63,233
Brokerage Department	45,907
Administration/Back Office Department	60,696
Total	**323,007**

*Control functions include the Executive Directors, Compliance Department and AMLCO.

APPENDIX 1

Amount of institution-specific countercyclical capital buffer

Item	
Total Risk Exposure Amount	€11,477k
Institution specific countercyclical capital buffer rate	0.080%
Institution specific countercyclical capital buffer requirement	€ 41k