IQ OPTION EUROPE LTD

Regulated by the Cyprus Securities and Exchange Commission License no. ***247/14***

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2019

August 2020

DISCLOSURE

The Disclosure and Market Discipline Report for the year 2019 has been prepared by IQ OPTION EUROPE LTD as per the requirements of Regulation (EU) No. 575/2013 issued by the European Commission and the Directive DI144-2014-14 issued by the Cyprus Securities and Exchange Commission.

IQ OPTION EUROPE LTD states that any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

IQ OPTION EUROPE LTD is regulated by the Cyprus Securities and Exchange Commission under License number ***247/14.***

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

The Board of Directors approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institution's profile and strategy.

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1 . Introduction

1.1. Investment Firm

Table 1: Company information

Company name	**IQOPTION EUROPE LTD**
CIF Authorization date	30/07/2014
CIF License number	247/14
Company Registration Date	12/12/2013
Company Registration Number	327751
Investment Services	
Reception & Transmission of orders in relation to one or more financial instruments	
Execution of Orders on Behalf of Clients	
Dealing on own account	
Portfolio Management	
Investment Advice	
Ancillary Services	
Safekeeping and administration of financial instruments, including custodianship and related services	
Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
Foreign exchange services where these are connected to the provision of investment services	

1.2. Purpose

The present report is prepared by IQ OPTION EUROPE LTD (the "Company"), a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", the "Commission") under the license number 247/14 and operates in harmonisation with the Markets in Financial Instruments Directive ("MiFID II").

In accordance with Regulation (EU) No. 575/2013 (the "Capital Requirements Regulation", "CRR"), which was introduced in late 2014, the Company is required to disclose information relating to its risk exposure and management, capital structure, capital adequacy as well as the most important characteristics of the Company's corporate governance including its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants.

This document is updated and published annually; it will, however, be published more frequently if there are significant changes to the business (such as changes to the scale of operations, range of activities, etc.). CySEC is responsible for implementing and enforcing the European Capital Requirements Directive ('CRD'), a capital adequacy framework consisting of three 'pillars':

- **Pillar I** sets minimum capital requirements comprising of base capital resources requirements; credit, market and operational risk capital requirements;
- **Pillar II** requires firms to undertake an overall internal assessment of their capital adequacy, taking into account all the risks which the firm is exposed to and whether additional capital should be held to cover risks not adequately covered by Pillar I requirements. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP");
- **Pillar III** complements Pillars I and II and improves market discipline by requiring firms to disclose information on their capital resources and Pillar I capital requirements, risk exposures and their risk management framework;

The 2019 Pillar III Disclosures Report sets out both quantitative and qualitative information required in accordance with Part 8 of the CRR and in particular articles 431 to 455, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure Report is audited by the Company's external auditors and published on the Company's website at www.iqoption.com on an annual basis.

Furthermore, the Board of Directors and the Senior Management have the overall responsibility for the internal control systems in the process of capital adequacy assessment and they have established effective processes to ensure that the full spectrum of risks faced by the Company is properly identified, measured, monitored and controlled to minimise adverse outcomes.

The Company's business effectiveness is based on the guidelines of the risk management policies and procedures put in place. The Board of Directors, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

As with all Investment Firms, the Company is exposed to a variety of risks and in particular to credit risk, market risk and operational risk. More information can be found in the sections below.

The Company is not preparing consolidated financial statements and is making the disclosures on an individual basis. These disclosures should be read in conjunction with the audited financial statements of the Company.

1.3. The Company

IQ OPTION EUROPE LTD as a CIF operates worldwide, offering amongst others, CFDs on FX stocks and cryptocurrencies, and the ability for clients who have opened long positions on BTC/USD CFDs to exchange the funds held at an IQ Option Ltd trading account against the equivalent amount of BTC.

The Company's growth strategy focuses on its existing areas of expertise and the quality of its customer base. The Company strives for sustainable profitability consistent with its cost of capital and a balanced business model. To this end, the Company:

- Seeks to contain the volatility of its results.
- Calibrates its capital ratio to ensure a significant safety margin relative to the minimum regulatory requirements.
- Monitors the stability and diversification of its funding sources.
- Ensures sufficient resilience in scenarios of liquidity shortages.
- Tightly controls its foreign-exchange risks.

The Company aims to maintain a diversified customer base.

The Company ensures that compliance rules are rigorously respected, especially in the area of anti-money laundering and counterterrorism financing. The Company monitors the loyalty of the behaviour of its employees with regard to customers and all its stakeholders, as well as the integrity of its investment and financial practices.

The Company considers its reputation to be an asset of great value that must be protected to ensure its sustainable development. The prevention and detection of the risk of harm to its reputation are integrated within all the Company's operating practices. The Company's reputation is protected by making its employees aware of the values of responsibility, ethical behaviour and commitment.

1.4. Regulatory Supervision

The minimum capital requirements as at 31 December 2019 for the CRD IV were calculated in accordance with the 'Pillar I' rules as set out by the Laws and Regulations, published by the CySEC. All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, which are comprised by the following:

- Law 87(I)/2017: Provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (hereafter "the Law").
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation.
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation.
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC – Capital Requirements Directive IV.
- Directive DI144-2014-14: For the prudential supervision of Investment Firms.
- Directive DI144-2014-15: On the discretions of CySEC arising from Regulation (EU) No. 575/2013.

1.5. Covid-19 Measures Disclosure

Since the last quarter of 2019, the COVID-19 global pandemic is contributing to a volatile market environment and raises the uncertainty level of the business environment on a global scale. In this regard, each entity since the very initial stages of this crisis, considered it imperative to take precautionary measures to protect the health and well-being of its employees whilst ensuring the smooth continuation of its operations and retaining the latter at high standards as usual. The measures taken include, but are not limited to, the following:

- Suspension of travelling and self-isolation of employees who had recently travelled;
- Remote desktop connectivity of employees;
- Suspension of face-to-face meetings and replacement with online conferences/meetings;
- Enhancement of employee awareness with detailed and frequent communication in connection with the virus and pay the cost of Covid tests for those employees deciding to work again from office;
- Continuous consulting the relevant guidelines issued by WHO, ESMA, EBA and competent national authorities and ensuring adherence to such guidelines;

The Company made arrangements for remote desktop connectivity to allow work from home and a seamless continuation of the business operations while security and cyber risk threats are successfully mitigated. The contingency planning is monitored and updated continuously in order to be in line with the ongoing developments, circumstances and surrounding risk.

2. Governance and Risk Management

2.1. Risk Management Approach

Risk exists in every aspect of the Company's business throughout its operating environment and is a core consideration within the Company's Strategic Plan. The Company's approach to risk management is based on the principle that risk management capability must be embedded within the businesses' front-line teams in order to be effective. This overriding principle embodies the following concepts:

- Senior Management uses the Risk Management Framework (hereafter "RMF"), which assists in the appropriate balancing of both the risk and reward components; and
- Employees are responsible for risk management in their day to day activities.

2.2. Risk Management Principles

The Company's business model requires the identification, assessment, measurement, aggregation and management of the risks, and the allocation of capital among the business. Risk and capital are managed via a framework of principles and measurement and monitoring processes that are closely aligned with the activities of the Company:

- Core risk management responsibilities are embedded in the Board of Directors and delegated to the risk manager and senior management responsible for execution and oversight. The Board regularly monitors the risk and capital profile.
- The Company operates a Three Lines of Defence ("3LoD") risk management model. The 1st Line of Defence ("1st LoD") are all the business divisions and services who have responsibility for day to day risk management. The 2nd Line of Defence ("2nd LoD") are all the independent risk and control functions, who oversee, support, monitor and report risks. The 3rd Line of Defence ("3rd LoD") is Internal Audit, which assures the effectiveness of the risk governance framework. All 3LoD are independent of one another and accountable for maintaining structures that ensure adherence to the design principles at all levels.
- Risk strategy is approved by the Board of Directors on an annual basis and is defined based on the Risk Appetite and Strategic and Business Plan in order to align risk, capital and performance targets.

All material risk types are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and compliance risk.

Measurement approaches for quantifying risk and capital demand are implemented across the material risk types. Non-standard risks (reputational risk, model risk, compliance risk) are implicitly covered in the risk management framework, primarily within operational and strategic risk. Systems, processes and policies are critical components of the risk management capability.

2.3. Risk Governance

The Company's operations are regulated by CySEC with supervision focusing on licensing, capital adequacy, risk concentration, conduct of business as well as organizational and reporting requirements.

Several layers of management and reporting provide cohesive risk governance:

- The Board of Directors regularly informed through reports and board meetings, and – as necessary – on special developments in the Company's risk situation, risk management and risk controlling, as well as on reputation and material litigation cases.

- At the meetings of the Board, the Risk Manager reports on credit, market, liquidity, business, compliance, operational as well as litigation and reputational risks. Furthermore, it deliberates with the Senior Management on issues of the aggregate risk disposition and the risk strategy and supports the Board of Directors in monitoring the implementation of this strategy.

- The Board of Directors is responsible for managing the Company in accordance with the law and the Articles of Association with the objective of creating sustainable value in the interest of the Company, thus taking into consideration the interests of the shareholders, employees and other stakeholders. It is responsible for establishing a proper business organization, encompassing an appropriate and effective risk management.

2.4. Types of Risks

Given the diversity and evolution of the Company's activities, risk management involves the following main categories:

- **Credit and Counterparty risk:** risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes Counterparty risk linked to market transactions (Replacement risk) and securitisation activities. In addition, Credit risk mainly emanates from Concentration risk, which arises from a large exposure to a given risk, to one or more counterparties, or to one or more homogeneous groups of counterparties.

- **Market risk:** risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate assets. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.
- **Operational risks**: risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. The Company's systems are evaluated, maintained and upgraded continuously.
- **Liquidity risk**: risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost, arises when the maturity of assets and liabilities does not match.
- **Legal and Compliance risk**: defined as the current or prospective risk to earnings and capital arising from violations or noncompliance with laws, rules, regulations, agreements, prescribed practices or ethical standards that can lead to fines, damages and/ or the voiding of contracts and can diminish an institution's reputation. Legal and Compliance Risk has been defined as part of overall Operating Risk.
- **Reputational risk**: risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Company's ability to maintain or engage in business relationships and to sustain access to sources of financing. Reputational Risk has been defined as part of overall Operating Risk.
- **Business and Strategic risk:** risk of a potential earnings downside due to revenues and/or costs underperforming plan targets. Strategic Risk may arise from poor strategic positioning, failure to execute strategy or lack of effective responses to material negative plan deviations caused by either external or internal factors (including macro, financial and idiosyncratic drivers). Business and Strategic Risk has been defined as part of overall Operational Risk.

2.5. Operating environment of the Company

The Company offers its products and services across European Union member states including the United Kingdom (UK).

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). Following Royal Assent of the European Union (Withdrawal Agreement) Act on 23 January 2020 and ratification of the Withdrawal Agreement by the European Parliament on 24 January 2020, the UK left the EU on 31 January 2020 and became a third country with a transition period running to 31 December 2020.

The progress of current negotiations between the UK Government and the EU on their future relationship and the ratification of the outcome of those negotiations will likely determine the future terms of the UK's relationship with the EU following the end of the transition period. Until these negotiations and parliamentary ratification processes are completed, it is difficult to anticipate the potential impact on Company's' revenue and profitability arising from providing services to UK based clients.

The Company's management believes that it has taken all the necessary measures to maintain the financial position of the Company and the development of its business in the current economic environment.

2.6. Risk Appetite & Capacity

Risk appetite expresses the level of risk that the Company is willing to assume within its risk capacity in order to achieve the business objectives, as defined by a set of minimum quantitative metrics and qualitative standards.

Risk capacity is defined as the maximum level of risk the Company can assume in both normal and distressed situations before breaching regulatory constraints and its obligations to stakeholders.

Risk appetite is an integral element in the business planning, to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. Top-down risk appetite serves as the limit for risk-taking for the bottom-up planning from the business functions.

The Risk Appetite Statement (“RAS”) articulates the Company’s appetite thresholds. This is important as it provides the definitive view on the broad direction of risk-taking activity the Board of Directors is comfortable that the Company undertakes and allows decision makers (including those with delegated authority and also those providing oversight) to exercise judgment with greater confidence and speed. The RAS aligns to the risks identified and defined in the RMF. The design and structure of the RAS has taken into consideration best practice recently articulated by the European Central Bank (“ECB”) which is aimed at ensuring Boards should be strongly involved in the validation process and monitoring of the RAS.

The Board of Directors reviews and approves the risk appetite and capacity on an annual basis, with the aim of ensuring that they are consistent with the Company's strategy, business and regulatory environment and stakeholders' requirements.

Risk Appetite Thresholds:

In case that the desired risk appetite is breached under either normal or stressed scenarios, these breaches are highlighted to the Senior Management, and ultimately to the Board of Directors. In addition, the Company has in place well-documented Risk Management procedures that describe the immediate actions at an adverse event.

In December 2019 as part of the annual risk appetite thresholds calibration exercise, no further adjustments on the thresholds were required. Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk are analyzed and approved by the Board of Directors. The Company's risk appetite strategy is implemented by the Senior Management in collaboration with the Board of Directors and applied by all divisions through an appropriate operational steering system for risks, covering:

- Governance (decision-making, management and supervisory bodies).
- Management (identification of risk areas, authorization and risk-taking processes, risk management policies through the use of limits and guidelines, resource management).
- Supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls and internal audits).

Essential indicators for determining the Risk Appetite and their adaptations are regularly supervised over the year in order to detect any events that may result in unfavorable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases.

2.7. Internal Capital Adequacy Assessment Process

The ICAAP requires institutions to identify and assess risks, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalisation on an ongoing and forward-looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company maintains compliance with the ICAAP as required under Pillar II of Basel III and its local implementation in Cyprus, through risk management and governance framework, methodologies, processes and infrastructure.

The results of these tests showed that the Company currently has adequate capital and liquidity reserves to absorb the impact of such risks if they were to materialize in line with the tests' parameters.

The methods used to quantify the Company's Pillar I capital requirements are in accordance with CRR, whereas for computing its Pillar II capital requirement, the Company uses a more sophisticated methodology to quantify and aggregate the capital requirements for the risks in total. With this in mind capital should be allocated in order to absorb Pillar II risks, incorporating the assessment undertaken by the Company for the purpose of its ICAAP.

Furthermore, the Company applies stress tests scenarios in its ICAAP in order to assess the Company's potential risks arising from such scenarios. In particular, the ICAAP includes stress test scenarios in relation to the Company's best, base and worst operating situations, based on the Company's expectations for the next three years.

Furthermore, the Company will assess with a new stress scenario in the updated ICAAP, the changes in relation to the challenges faced due to the outbreak of the COVID-19 in order to evaluate the risks arising from this pandemic.

The company is in the process of finalizing the ICAAP report for 2019.

2.8. Diversity Policy

The Company implements the Diversity Policy in accordance with the Guidelines set forth by ESMA, promoting diversity on the management body in order to promote a diverse pool of members. The Policy aims to engage a broad set of qualities and competences when recruiting members of the management body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the management body. Diverse management bodies can help improve decision-making regarding strategies and risk-taking by facilitating a broader range of views, opinions, experience, perception, values and backgrounds. A more diverse management body reduces the phenomena of 'group think' and 'herd behaviour'.

The Policy is aligned with the Company's overall corporate governance framework, corporate culture and risk appetite and that the processes under the policy are fully operating as intended.

The diversity policy refers to the following diversity aspects: educational and professional background, gender, age and, geographical provenance. Further, the diversity policy includes a quantitative target for the representation of the underrepresented gender in the management body and the Policy quantifies the targeted participation of the underrepresented gender and specifies an appropriate timeframe within which the target should be met and how it will be met.

In addition, and according to the diversity policy, there are “Diversity practices” which are implemented by the Company.

2.9. Board members’ appointment

The Company has established a dedicated recruitment policy in relation to the Board of Directors. The recruitment policy has been reviewed and updated during 2019.

Persons employed by the Company will have the necessary qualifications and meet the criteria of (1) Good repute, (2) Skills, knowledge and expertise, (3) Relevant academic title or degree or professional qualification and relevant experience (4.) Registration in public register. Persons employed by the Company will have integrity, morals and credibility and must hold academic and/or have professional qualifications and professional experience relevant to the responsibilities assigned to them. For this purpose, the Company will request the submission of the necessary documentation, which will be kept in the Company’s records.

The Recruitment Procedure sets out the stages of the recruitment and selection process that are normally adhered to. However, the Company recognises that in times of changing labour markets there are occasions when the Procedure may need to be adapted to successfully recruit and select Staff. In these instances, the reasons for modifying the Procedure will be set out in writing and the variation to the Procedure authorised by the CEO or the General Manager in his absence.

A decision to shortlist, interview or offer employment will be taken without regard to the applicant’s sex, race, religion or belief, marital or civil partnership status, age, pregnancy or maternity, sexual orientation or gender reassignment.

This Policy will be reviewed by the Compliance Department, at least annually.

2.10. Remuneration

The Remuneration Policy is aligned with effective conflicts of interest management duties in order to ensure that clients’ interests are not impaired by the Company’s remuneration practices and is designed in such a way so as not to create incentives that may lead persons to favour their own interests, or the Company’s interest, to the potential detriment of clients.

This policy is consistent with and promotes sound and effective risk management and does not encourage risk taking that exceeds the level of tolerated risk of the Company. It is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflict of interest.

The provisions of this Policy are disclosed to relevant persons at the outset.

The Board has the responsibility for the implementation of this policy and its practices and for preventing and dealing with any relevant risks that this policy may create. Review of this policy is made at least annually so as to ensure that the business developments are aligned with all provisions.

The remuneration of Executive Directors, Senior Management and any other risk takers consists of fixed salary, as well as incentive or reward schemes awarded based on expertise, responsibility, knowledge and reputation. Such schemes ensure the Company's ability to attract, retain and motivate high quality people required to lead, manage and serve the Company in a competitive environment.

The Company offers variable remuneration to its employees who are client-facing ("sales force staff") based on Key Performance Indicators (KPIs) that are determined by Senior Management with advice from the Compliance Function. The remuneration structure of these employees is designed in a way to mitigate the risk of creating inappropriate incentive to act against the best interests of the Company's clients i.e. awarding additional remuneration to employees who pressurise their clients into taking actions that are not in the client's best interest. Such practices are prohibited and are not in line with the Company's ethos.

This Policy applies to all employees of the Company (relevant persons) who can/may have a material impact on the service provided and/or corporate behaviour of the Company, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of the Company's clients. This includes persons who oversee the sales force (i.e. supervisors) who may be incentivized to pressurize staff, as well as any persons involved in complaints handling, client retention and product design.

The table below presents the annual remuneration for 2019, of the members of the Board of Directors and Senior Management whose actions have a material impact on the risk profile of the company. No outstanding deferred remuneration and no share options were offered during 2019 and no new sign-on or severance payments. There were no individuals being remunerated €1m or more.

Table 2: Aggregate Quantitative Information on Remuneration by Board of Directors and Senior Management, and, by Business area, € thousands

	No. of staff	Fixed	Variable	Total
Board of Directors and Senior Management*	15	964	239	**1.203**

	No. of staff	Total
Directors*	6	550
Control Functions	8	552
Other	1	101
Grand Total	**15**	**1.203**

**All Executive and Non-Executive Directors are included*

2.11. Directorships held by Members of the Management Body

In 2019, the members of the Management body of the Company, given their industry experience, have been taking seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds:

Table 3: Directorships held by Members of the Management Body including the Company

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Sergei Dobrovolskii	Executive Director	3	4
Dmitrii Zaretskii	Executive Director	1	4
Loukas Kokkinos	Non - Executive Director	-	4
Christos Samaras	Non - Executive Director	1	1
Dimitrios Exarchos	Executive director	1	-
Anthon Rabinovich	Executive director	1	2

Note: The information in this table is based only on representations made by the Company for 31.12.2019.

2.12. Reporting and Control

In line with the requirements set out in the Cyprus Investment Firms Law and subsequent Directives, the Company has been able to maintain a good information flow to the Management body, as it can be seen below:

Table 4: Periodic Reporting Summary

Report Name	Report Description	Owner	Recipient	Frequency	Due Date
Annual Compliance	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	31/07/2020*
Annual Internal Audit	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	31/07/2020*
Annual Risk Management	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager	BoD, CySEC	Annual	31/07/2020*
Pillar III Disclosures (Market Discipline and Disclosure	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy and risk exposures	Risk Manager	BoD, CySEC, Public	Annual	31/07/2020 (Publication)* 31/08/2020 (External Auditor's Verification Report) **
Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	31/07/2020*
Suitability	Clients' money audit	External Auditor	BoD, CySEC	Annual	31/07/2020*
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote the stability and efficiency of financial systems all over the world	Risk Manager / Accounting	Senior Management, CySEC	Quarterly	12/05/2019 11/08/2019 11/11/2019 11/02/2020 31/08/2020***

**The deadline was extended from 30/04/2020 to 31/07/2020 due to the Covid-19 pandemic.*

*** The deadline was extended from 31/05/2020 to 31/08/2020 due to the Covid-19 pandemic.*

**** The deadline for CoREP Forms submission based on the audited FS was extended due to Covid-19 pandemic from 31/05/2020 to 31/08/2020.*

3. Capital Management and Adequacy

3.1. The Regulatory Framework

The general framework defined by Basel III is structured around three pillars, as in Basel II:

- Pillar I sets the minimum solvency requirements and defines the rules that institutions, that are required to comply with the regulation, must use to measure risks and calculate associated capital requirements, according to standard or more advanced methods.
- Pillar II relates to the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar I, and to calibrate additional capital requirements with regard to risks.
- Pillar III encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to make a better assessment of a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

3.2. Regulatory Capital

The calculation of the Company's regulatory capital incorporates the capital requirements following "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation or "CRR") and "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive IV or "CRD IV").

The total regulatory capital pursuant to the effective regulations as of year-end 2019 comprises of only Tier I (only Common Equity Tier I).

Common Equity Tier I capital consists primarily of common share capital including related share premium accounts, retained earnings (including losses for the financial year, if any) and accumulated other comprehensive income, subject to regulatory adjustments (i.e. deductions).

3.3. Solvency Ratio (Capital Ratio or Capital Adequacy Ratio)

As at 31 December 2019, the Company was subject to a minimum Pillar I capital adequacy ratio of 8% plus (a) 2,50% Conservation buffer and (b) a countercyclical capital buffer ("CCyB") that can vary from 0% to 2,50%. It is noted that due to huge volume of data and time restrictions the Company could not calculate accurately the CCyB. The Company has already taken necessary steps to resolve these data limitations so that accurate information can be included in its upcoming Pillar 1 quarterly submissions and Pillar 3 Disclosures of next year. However, the Company's ratio as at 31 December 2019 stood at 18,90%.

The Company monitors its Capital Adequacy Ratio and Own Funds on a continuous basis.

3.4. Risk and Capital Management

Risk and Capital management is consisting from the following objectives:

- Credit Risk Management;
- Market Risk Management;
- Operational Risk Management;
- Business (Strategic) Risk Management;
- Reputational Risk Management;
- Compliance Risk Management;
- Risk Concentration and Risk Diversification;
- Product Intervention Measures;
- Negative Balance Protection Risk Management;
- Risk Transferring Arrangements.

At 31st December 2019, the Total Capital ratio of the Company was 18,90% with total risk weighted assets of EUR 70.762 thousand.

Table 5: Own funds disclosure template under the Transitional and Full – phased in definition, € thousands

	Transitional Definition	**Full – phased in Definition**
Common Equity Tier 1 (CET 1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	601	601
Retained earnings	12.889	12.889
Common Equity Tier 1 (CET 1) capital before regulatory adjustments	**13.490**	**13.490**
Common Equity Tier 1 (CET 1) capital: regulatory adjustments		
Intangible assets (net of related tax liabilities)	-	-
Additional deductions of CET1 Capital due to Article 3 CRR	(118)	(118)
Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital	**(118)**	**(118)**
Common Equity Tier 1 (CET 1) capital	**13.372**	**13.372**
Additional Tier 1 Capital	-	-
Tier 1 Capital	13.372	13.372
Tier 2 Capital	-	-
Total Capital	**13.372**	**13.372**
Total risk-weighted assets	**70.762**	**70.762**
Capital Ratios and buffers:		
Common Equity Tier 1 (CET 1) capital ratio	**18,90%**	**18,90%**
Tier 1 Capital ratio	**18,90%**	**18,90%**
Total Capital ratio	**18,90%**	**18,90%**

4. Leverage Ratio

The Company steers its leverage effect according to the CRR leverage ratio rules, as amended by the Delegated Regulation (EU) 2015/62 of 10th October 2014. Steering the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Company's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Company sets for itself.

The Company is required to report and monitor its leverage ratio at least on a quarterly basis.

The leverage ratio is a simple non-risk adjusted capital measure, defined as a measure of Tier 1 capital percentage of the total exposures. The leverage ratio intends to constrain leverage and bring institution's assets more in line with their capital, in order to help the Company, mitigate the destabilizing deleveraging process in downturns situations.

The Company aims to maintain a leverage ratio that is significantly higher than the 3.00% minimum in the Basel Committee's regulatory requirement as determined in the EU Regulation 2019/876 (the "Capital Regulatory Requirements Regulation II" or "CRR II") as in force from mid of 2021 onwards. The leverage ratio is in an observation phase in order to set the minimum requirements. Once they have been set, the Company's target will be adjusted as needed.

As at the end of 2019 the Company's leverage ratio was 57,68% instead of 46,02% in 2018.

Factors that had an impact on the Leverage Ratio during the period.

The Leverage Ratio over the financial year 2019 ranged between 42,67% (June CoREP submission) to 57,68% (December 2019 Audited CoREP submission) with an average 49,53%, mainly due to the increase in the Tier 1 capital of the Company due to the recognition of the audited profits for the year.

Table 6: Summary reconciliation of accounting assets and leverage ratio exposures, € thousands

	Applicable Amounts
Total assets as per published financial statements	20.403
Adjustments for derivative financial instruments	135
Other adjustments	2.644
Total leverage ratio exposure	**23.182**

Table 7: Leverage ratio common disclosure, € thousands

	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	23.047
Derivative exposures	135
Securities financing transaction exposures	-
Other off-balance sheet exposures	-
Capital and total exposures	-
Tier 1 capital	**13.372**
Total leverage ratio exposures	**23.182**
Leverage ratio	**57,68%**

Table 8: Split-up of on balance sheet exposures, € thousands

	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**23.047**
Trading book exposures	-
Banking book exposures, *of which*:	**23.047**
Covered bonds	-
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
Institutions	7.749
Secured by mortgages of immovable properties	-
Retail exposures	-
Corporate	11.529
Exposures in default	-
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	3.769

5. Credit Risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuers (which are referred to collectively as "counterparties").

These transactions are typically part of traditional non-trading activities or direct trading activity with clients.

Based on the annual risk identification and materiality assessment, credit risk contains three material categories, namely default risk, industry risk and country risk.

- **Default risk:** the most significant element of credit risk, is the risk that counterparties fail to meet contractual obligations in relation to the claims described above.
- **Industry risk:** is the risk of adverse developments in the operating environment for a specific industry segment leading to deterioration in the financial profile of counterparties operating in that segment and resulting in increased credit risk across this portfolio of counterparties.
- **Country risk:** is the risk that the Company may experience unexpected default or settlement risk and subsequent losses, in a given country, due to a range of macro-economic or social events primarily affecting counterparties in that jurisdiction including: a material deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, or disruptive currency depreciation or devaluation.

The Company measures, manages/mitigates and reports/monitors credit risk using the following philosophy and principles:

- Measure and consolidate all credit exposures to each obligor, in line with regulatory requirements.
- Manage credit exposures on the basis of the "one obligor principle", under which all facilities to a group of borrowers which are linked to each other (i.e., by one entity holding a majority of the voting rights or capital of another) are consolidated under one group.
- Regularly monitor the credit rating of all obligors.

The credit rating is essential and is used as the basis for the risk appetite determination on a counterparty and portfolio level and credit decision as well the determination of credit risk regulatory capital. Ongoing monitoring of counterparties helps keep ratings up to date.

The Company applies the standardised approach to assess its credit risk exposures. The standardised approach measures credit risk either pursuant to fixed risk weights, which are predefined by the regulator, or through the application of external ratings.

5.1. Large Exposures

As at 31 December 2019, the Company's exposure to its related entities, was 15,04% of its own funds, which exceeded the 2% large exposure limit set by point (h) of paragraph 61(1) of CySEC Directive 144-2014-14 with regards to a CIF's exposure to its shareholders with more than 10% holding of its share capital, and their connected persons. The company will resolve the issue within 2020.

5.2. Concentration Risk

Concentrations are observed per country, industry and large exposures. The management of concentrations is integrated as part of the management of individual risk types, are monitored on an ongoing basis and diversification takes place where such concentrations pose regulatory risks. Large Exposures concentration risk is monitored on a quarterly basis, and any exposure which exceeds the limits is managed over time to reduce exposures.

5.3. External Ratings

For the purpose of calculating the capital requirements of the Company, mainly under the credit risk requirement, the external credit ratings from **Moody's Analytics** have been applied for the exposure classes listed below:

- Exposures to central governments or central banks
- Exposures to public sector entities.
- Exposures to institutions.
- Exposures to corporates.

The general association with each credit quality step complies with the standard association published by CySEC as follows:

Table 9: Mapping of ECAI credit assessments to Credit Quality Step

Credit Quality Step	**Moody's Rating**	**Institution RW (Below 3 months)**	**Institution RW (Above 3 Months)**	**Sovereigns RW**	**Corporate RW**
1	Aaa to Aa3	20%	20%	0%	20%
2	A1 to A3	20%	50%	20%	50%
3	Baa1 to Baa3	20%	50%	50%	100%
4	Ba1 to Ba3	50%	100%	100%	100%
5	B1 to B3	50%	100%	100%	150%
6	Caa1 and below	150%	150%	150%	150%

For exposures to regional governments or local authorities, public sector entities and institutions, the external ratings are applied in the following priority (i) Issue/Exposure (ii) Issuer/Counterparty (iii) Sovereign.

For exposures to central governments or central banks and corporates the external ratings are applied in the following priority (i) Issue/Exposure (ii) Issuer/Counterparty.

Please note that the external ratings are not considered where exceptions or discretions as per the CRR apply.

5.4. Quantitative Information

The credit exposures in this section are measured using the standardized approach. Exposures are broken down by sectors and obligor ratings.

At 31st December 2019, the Company's capital usage for credit risk amounted to EUR1.357 thousand, while the risk weighted exposure was EUR16.961 thousand (compared to EUR1.143 thousand and EUR14.287 thousand, respectively, as at 31 December 2018). The tables below provide further details on the Company's credit risk exposures.

Table 10: Asset Class Breakdown of Net Credit Risk Exposure and Minimum Capital Requirement as at 31 December 2019, € thousands

Asset Class	**Risk-weighted amounts**	**Minimum capital requirement**
Institutions	1.565	125
Corporates	11.529	923
Retail	98	8
Equity	517	41
Other items	3.252	260
Total	**16.961**	**1.357**

Table 11: Exposures Post Value Adjustments by Exposure Class, € thousands

Asset class	**Original Exposure before CRM**	**Original Exposure after CRM**	**Average Exposure**
Institutions	7.749	7.749	13.764
Corporates	11.529	11.529	4.581
Retail	135	131	447
Equity	517	517	129
Other items	3.252	3.252	5.545
Total	**23.182**	**23.178**	**24.466**

Table 12: Exposures Post Value Adjustments by Industry and Exposure Class, € thousands

Asset class	Financial Services	Other Industry	Total
Institutions	7.749	-	7.749
Corporates	1.706	9.823	11.529
Retail	-	135	135
Equity	517	-	517
Other items	-	3.252	3.252
Total	**9.972**	**13.210**	**23.182**

Table 13: Exposures Post Value Adjustments by Residual Maturity and by Material Exposure Class, € thousands

Asset class	Below 3 months	Above 3 months	Not Applicable	Total
Institutions	6.933	816	-	7.749
Corporates	22	11.507	-	11.529
Retail	135	-	-	135
Equity	-	-	517	517
Other items	-	515	2.737	3.252
Total	**7.090**	**12.838**	**3.254**	**23.182**

Table 14: Credit Quality Concentration, € thousands

Credit Quality Step	Exposure before CRM	Exposure after CRM
1	-	-
2	-	-
3	-	-
4	-	-
5	-	-
6	-	-
Unrated	23.182	23.178
Total	**23.182**	**23.178**

5.5. Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

The Company applies the Mark-to-Market Method to calculate its Counterparty Credit Risk exposure. As at the year end, the Company used the trading margin of its clients to reduce the Counterparty Credit Risk arising from its open trades.

It is to our understanding that due to the huge volume of data and time restriction, the Company is not able to recalculate the workings with all the required data for the purposes of the Pillar 3 Disclosures. This data issue affects mainly the calculation of the: a) Counterparty Credit Risk and; b) Countercyclical Capital Buffer (see also section 3.). The Company has already taken necessary steps to resolve these data limitations so that accurate information can be included in its upcoming Pillar 1 quarterly submissions and Pillar 3 Disclosures of next year.

Table 15: Exposures to Counterparty Credit Risk, € thousands

Exposure Type	Positive Fair Value*	Negative Fair Value*	Nominal Value*	Exposure Amount before CRM	Exposure amount after CRM	Risk Weighted Assets	Capital Requirements
FX Derivatives	-	-	964	10	5	4	0
Derivatives on Gold	-	-	141	1	1	1	0
Commodity Derivatives (including Cryptos)	-	-	905	89	89	67	5
Equity Derivatives	-	-	585	35	35	26	2
Total	**-**	**-**	**2.596**	**135**	**131**	**98**	**8**

**Could not be reported due to the data issues mentioned above.*

5.6. Financial instruments – impairment

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs: other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at Fair Value through Other Comprehensive Income ("FVOCI") are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

6. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and commodities will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As mentioned above, in the context of Pillar I, market risk mainly arises through:

Interest rate risk in the trading book: The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Equity Risk: The financial risk involved in holding equity in a particular investment.

Commodities Risk: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.

Foreign Exchange Risk**:** It is a financial risk that exists when a financial transaction is denominated in a currency other than the base currency of the Company. The foreign exchange risk in the Company is effectively managed by the establishment and control of foreign exchange limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

6.1. Quantitative Information

The Company’s capital requirements related to market risk are mainly determined using the standardized approach. The Company’s total capital usage for market risk as at 31 December 2019 amounted to EUR 230 thousand, while the market risk risk-weighted exposure amounted to EUR 2.875 thousand (compared to EUR 110 thousand and EUR 1.372 thousand, respectively, as at 31 December 2018).

Table 16: Market risk capital requirements, € thousands

Risk Type	**RWAs**	**Capital Requirements**
Foreign exchange risk	410	33
Equity risk	739	59
Interest rate risk	-	-
Commodity risk	1.726	138
Total	**2.875**	**230**

7. Operational Risk

Operational risks correspond to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. It includes legal risk but excludes business and reputational risk.

During 2019, the Company further enhanced its capabilities in Operational Risk Management, in conjunction with the Three Lines of Defence ("3LoD") Program. Specifically, the Company enhanced the roles and responsibilities of the first and second line in managing operational risk, strengthening governance and delivery of improved tools to support risk identification and assessment.

The Company takes decisions to manage operational risks, both strategically, as well as in day-to-day business. Two principles form the foundation of operational risk management to be based on the following two principles:

Operational Risk Principle I: Risk Owners have full accountability for their operational risks and have to manage against a defined risk specific appetite. Risk owners are accountable for managing all operational risks in their business/processes with an end-to-end process view, within defined operational risk specific appetite and for identifying, establishing and maintaining first level controls.

Operational Risk Principle II: The Board of Directors establishes the risk management framework and defines the Risk Appetite. The Company manages operational risk using the Risk Management framework, which enables the determination of the operational risk profile in comparison to the risk tolerance, systematic identification of operational risk themes and concentrations and to define risk mitigating measures and priorities.

The Company manages operational risk using the Risk Management framework, which enables the determination of the operational risk profile in comparison to the risk tolerance, systematic identification of operational risk themes and concentrations and to define risk mitigating measures and priorities.

7.1. Quantitative Information

For the calculation of operational risk in relation to the capital adequacy returns, the Company uses the Basic Indicator approach.

Based on the relevant calculations the Company's capital requirement in respect to operational risk, as at 31 December 2019, was EUR 4.074 thousand, while the operational risk-weighted exposure was EUR 50.926 thousand (compared to EUR 3.724 thousand and EUR 46.554 thousand respectively as at 31 December 2018).

8. Liquidity risk

Liquidity risk corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.

The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity system aims at providing a balance sheet framework with assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- The assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure;
- The liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Company to sustainably raise financial resources on the markets, in accordance with its risk appetite;

The principles and standards applicable to the management of liquidity risks are defined by the Company's governing bodies, whose duties in the area of liquidity are listed below:

- The Company's Board of Directors (i) establishes the level of liquidity risk tolerance as part of the Risk Appetite exercise, (ii) meets regularly to examine the Company's liquidity risk situation, on a quarterly basis;
- The Senior Management (i) sets budget targets in terms of liquidity (ii) allocates liquidity to the pillars;

To minimize its exposure to liquidity risk, the CIF implements the below Liquidity Risk Mitigation Strategies:

- Regular analysis & reporting to the Board of Directors on the funding needs of the Company;
- Monitoring of the Company's exposures and diversification to avoid rise of concentration risk as per the internal policies;
- Cash Management;

The Company has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities. As at 31/12/2019, the Company held EUR 8.304 thousand in cash and cash equivalents of which EUR 3.335 thousand were in bank accounts.

9. Compliance and Reputational Risks

Compliance risk defined as the current or prospective risk to earnings and capital arising from violations or noncompliance with laws, rules, regulations, agreements, prescribed practices or ethical standards that can lead to fines, damages and/ or the voiding of contracts and can diminish an institution's reputation.

Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all of its counterparties, employees, and the various regulatory authorities to which it reports.

A settlement has been reached between CySEC and the Company as announced on 21.05.2019 for possible violations of The Investment Services and Activities and Regulated Markets Law (L.144(I)/2007) and The Prevention and Suppression of Money Laundering Activities Law (L.188(I)/2007) and of the Directives issued thereof. The settlement reached has been paid in full (EUR 450 thousand) during 2019.

The Compliance and Reputational Risks are the following:

- Compliance with all the regulatory requirements, ensuring qualifications and substantial recommendations are avoided in audits and supervisors' reviews;
- Maintain the confidence of customers, shareholders and employees, as well as society in general, regarding solvency and reputation;
- Maintain a low appetite in compliance and reputational risk through corporate policies, backed by risk indicators and the functioning of committees that enable risk to be identified, monitored and mitigated in matters of Prevention of money laundering;
- Compliance: codes of conduct in the securities market; suspicious operations; abuse of market; institutional relations; Markets in Financial Instruments Directive II ("MiFID II"); customers' complaints to supervisors; data protection regulations and code of conduct of employees;
- Commercialization of products: reputational risk management, marketing and monitoring of products, observing operational, conduct and reputational risk criteria;
- Continuous monitoring of audits and revisions of the supervisors and of their corresponding recommendations in the sphere of compliance and reputational risk;

Duties of the Compliance Function

In reference to Article 22 of the Commission Delegated Regulation (EU) 2017/56), Article 16(2) of Directive 2014/65/EU and Article 17(2) of the Law L. 87(I)/2017, the Company is required to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the firm to comply with its obligations under the Law, as well as the associated risks, and put in place adequate measures and procedures designed to organize such risks and to enable the Commission to exercise its powers effectively under the Law and the Directive.

In addition, the Company is required to establish and maintain a permanent and effective Compliance Function, which operates independently, and which has the following responsibilities:

- To monitor and assess the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in order to ensure the Company's compliance with its obligations under the Law and the Directive;
- To advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the Company's obligations under the Law and the Directive 2014/65/EU;
- To perform on a regular basis a compliance risk assessment taking into account the investment services, activities and ancillary services provided by the Company as well as the types of financial instruments traded and distributed to ensure that the focus and the scope of compliance monitoring and advisory activities remain valid;
- To establish a monitoring programme that takes into consideration all areas of the investment services or other business provided/performed by the Company. In particular, the monitoring programme establishes priorities determined by the compliance risk assessment ensuring that compliance risk is comprehensively monitored;
- To provide support for staff training and day-to-day assistance for staff and participating in the establishment of new policies and procedures within the Company;
- To oversee the operation of the complaints process and consider complaints as a source of relevant information in the context of its general monitoring responsibilities. In addition, the Compliance Officer is required to implement Company's complaints policy and maintain records as required by the legislation;
- To perform reviews on the procedures followed by the employees to ensure compliance with legislation and Company's Internal Operation Manual (hereinafter the 'IOM') and to update them regarding new legislation;
- To perform reviews to ensure that the employees of the Company are aware of their duties as these are outlined in the Company's IOM;

- To ensure that its monitoring activities are not only desk-based, but to verify how policies and procedures are implemented in practice through on-site inspections at the operative business units of the Company;
- To ensure that information requested from the Commission through circulars and/or direct communication with the Company is accurate and is provided within the set timeframe;
- To ensure that the Commission is notified promptly and in accurate manner for any material changes that might occur in the organizational structure of the Company;
- To have the necessary authority, resources, expertise and access to all relevant information of the Company;
- To ensure that there are measures in place for minimizing the risk of non-compliance with legislation;
- To ensure submission of the Annual Compliance Officer report to the Board of Directors on the implementation and effectiveness of the overall control environment for investment services and activities, on the risks that have been identified and on the complaints-handling reporting. The respective report will also contain advice on the necessary remedial measures;
- To review and where necessary update the IOM;
- To review randomly clients' files to ensure that the account opening procedure is properly implemented and that adequate records are kept by the Company, as required by legislation;
- To review randomly the clients' accounts with special consideration to the recording process of deposits/withdrawals and clients' transactions;
- To perform checks over the adequacy of funds held for trading of the accounts held by the Company with other brokers. The Compliance Officer performs checks on the Dealing Room activities with the intention of ensuring that trades executed for clients are within the set limits and in accordance with Best Execution Policy of the Company.

9.1. Prevention of Money Laundering and Terrorist Financing

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/be involved in financing terrorism.

The Company has in place the "Annual report on the prevention of money laundering and terrorism financing for 2019" which analyses and describes the below mentioned:

- Regulatory Framework And Information From Relevant International Organizations
- Inspections And Reviews Performed By The AMLCO During The Year 2019
- Internal Reporting
- External Reporting

- Customer's Cash Deposits
- High-Risk Customers
- Ongoing Monitoring Of Customers Accounts And Transactions
- Branches And Subsidiaries Outside The EEA
- Communication With The Employees On ML And TF Preventive Issues
- Compliance Officer's Department

In addition, the Company has in place, and is updating as applicable, certain policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

- The adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company.
- The adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk.
- Setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information).
- Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction.
- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high risk countries.
- Ensuring that the Company's personnel receive the appropriate training and assistance.

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

Appendix - Balance sheet reconciliation

Balance sheet reconciliation	**2019** **€'000s**
Capital and reserves:	
Share capital	3
Share premium	598
Retained earnings	12.889
Deductions from Own Funds as per CRR	
Additional deductions of CET1 capital due to Article 3 of CRR	(118)
Intangible assets	-
Total Own funds	**13.372**