



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 2020

June 2021



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1. Overview

1.1 CIF Information

AAA Trade Ltd (hereinafter the ‘Company’) was incorporated in the Republic of Cyprus on 7 June 2013 as a private limited liability company with registration number HE 322745 and it is a Cyprus Investment Firm. The Company was licensed by the CySEC with number CIF 244/14 to provide financial services, on 25 July 2014.

The Company is authorised to provide the following **Investment Services**, in accordance with Part I of the First Appendix of the Law 87(1)/2017:

1. Reception and transmission of orders in relation to one or more financial instruments;
2. Execution of orders on behalf of clients;
3. Dealing on own account;
4. Portfolio management;
5. Investment advice.

The Company is also authorised to provide the following **Ancillary Services**, Part II of the First Appendix of the Law 87(1)/2017:

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
3. Foreign exchange services where these are connected to the provision of investment services;
4. Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.

The Company is authorised to provide the aforementioned investment and ancillary services, as applicable for each service, for the following Financial Instruments, in accordance with Part III of the First Appendix of the Law 87(1)/2017:

1. Transferable Securities;
2. Money Market Instruments;
3. Units in Collective Investment Undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;

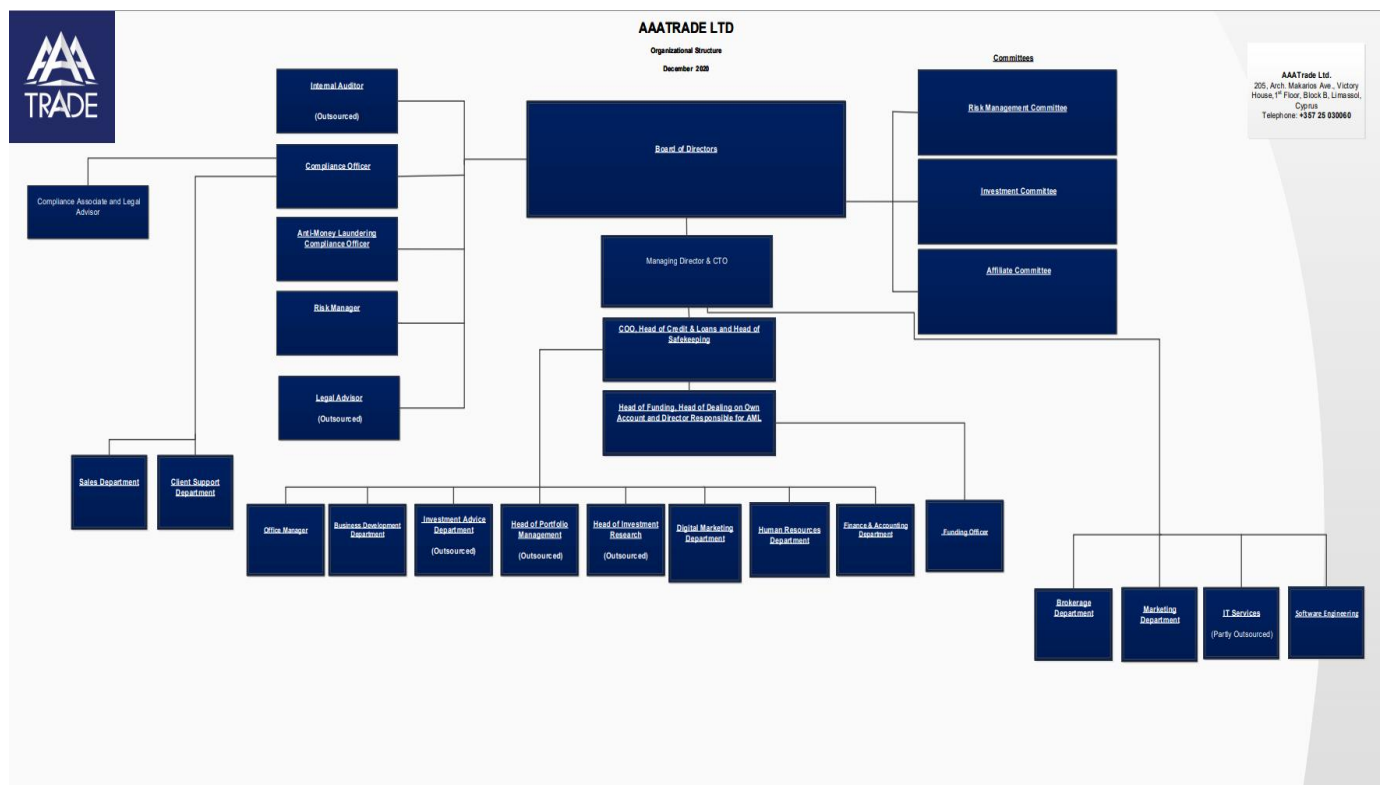
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

Moreover, the Company is categorised as “**Full Scope**” CIF (under Article 96(1) of the Regulation 575/2013) with minimum/initial capital requirement of Euro 730,000.

1.2. Scope of application

The Company is publishing the disclosures on an individual (solo) basis.

1.3. Organisational Structure



1.4. Regulatory framework overview

This report has been prepared in accordance with Section 4 (Paragraph 32) of the Cyprus Securities and Exchange Commission (hereinafter the “CySEC”) Directive DI144-2014-14 of 2014 (the ‘Directive’) for the prudential supervision of investment firms which implements the Regulation (EU) 575/2013 (the “Regulation” or CRR) and the European Directive 2013/36/EU (the “European Directive” or CRD IV).

CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. Furthermore, CRR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including amended minimum capital ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. Additionally, CRR permits a transition period for certain of the enhanced capital requirements and certain other measures. CRR is immediately binding on all EU member states. CRD IV governs access to internal governance arrangements including remuneration, board composition and transparency.

The Regulation framework consists of a three “Pillar” approach:

- **Pillar I** establishes minimum capital requirements, defines eligible capital instruments, and prescribes rules for calculating RWA;
- **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); those 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 Company’s internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms 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; and
- **Pillar III** - Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of original own funds.

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

1.5. Regulatory Developments

The capital adequacy and overall risk management requirements that currently apply to the Company under the CRR and CRDIV prudential framework, will be replaced by amended prudential rules established by the EU Regulation 2019/2033 (“Investment Firm Regulation” or “IFR”) and the EU Directive 2019/2034 (“Investment Firm Directive” or “IFD”), which shall become applicable on 26th of June 2021. The new rules introduce changes in the methodologies that EU investment firms are required to apply for calculating their exposures to risk and their capital adequacy ratio and in this respect, the Company is in the process of assessing the impact that these changes are expected to have on its solvency position, in order to take timely action and be in a position to adopt the new rules.

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

The following sets out the Company’s Disclosure Policy as applied to Pillar III Disclosures, according to CRDIV requirements.

1.6.1. Information to be disclosed

Institutions may omit 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 of Disclosures

The Regulation provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial. 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 Company has considered a disclosure to be immaterial, this was not included in the document.

Disclosures and Confidential Information

The Regulation also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive 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 investment firm’s investments therein less valuable.

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

1.6.2. Frequency

The Company'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.

1.6.3. 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 Company's Pillar III disclosures are published on the Company's website: www.aaatrade.com

1.6.4. Verification

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

1.7 Risk Management objectives and policies

To ensure effective risk management, the Company has adopted three levels of control, with clearly defined roles and responsibilities.

First Level Control: 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 Company policies and where appropriate defined thresholds. First Level controls act as an early warning mechanism for identifying (or remedying) risks or failures.

Second Level Control: The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. 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 Level Controls is identifying risk areas, detecting situations/activities, in need of monitoring and developing policies to formalise risk assessment, mitigation and monitoring.

Third Level Control: Comprised 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 Company's relevant policies and procedures. Internal Audit works closely with both the First and Second Level of Controls to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

1.7.1 Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment, requires a strong risk management culture. As a result, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company 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 of Directors reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies, procedures and work as well as the Company's risk management policies and procedures as implemented by Management.

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

1.7.2 Risk Appetite Statement

Risk Appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet.

An effective risk appetite statement is empowering in that it enables the decisive accumulation of risk in line with the strategic objectives of the Company while giving the board and management confidence to avoid risks that are not in line with the strategic objectives.

The Company has established a robust Risk Appetite Framework. The Board approves the Risk Appetite which defines the type and amount of risk that the Company is prepared to accept to achieve its objectives. Risk Appetite covers three primary areas:

Table 1 – Risk Appetite areas

Risk Area	Risk Types
Financial	<ul style="list-style-type: none"> • Credit Risk • Market Risk • Liquidity Risk
Reputational	<ul style="list-style-type: none"> • Conduct Risk • Customer Risk • Regulatory Risk • External reputational Risk
Operational & People	<ul style="list-style-type: none"> • The risk associated with the failure of key processes or systems and the risks of not having the right quality and quantity of people to operate those processes

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

1.7.3 Risk Culture

The Company's risk management policy is a central and prominent feature of its organizational decision making governance and culture in general. The management actively promotes a culture of compliance with regulations, ethical behaviour as well as critical thinking creating an inherent risk management culture at all levels.

Additionally, the Company is strongly influenced by its own history, meaning that the Company learns from its own experiences and in order for risk management and risk culture to continually evolve.

Regulation is a driving force in the Company's risk culture regarding compliance, predictions and proactivity. The Company's Board, management and employees are encouraged to remain educated on not only regulatory amendments, but the pulse of the investment firm environment in Cyprus, Europe and on a global level in order to predict the direction of regulatory schemes, so that the Company may act on a proactive basis in order to remain compliant and competitive at the same time.

1.8. Declaration of the Management Body

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and – as such – offer reasonable but not absolute assurance against fraud, material misstatement and loss. The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

1.9. Operating environment of the Company

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year. In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation. To this end, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy had closed for a period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures had been continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country. The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in minor operational disruption for the Company. The event is reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2020. The Company's management has assessed: (1) whether any impairment allowances are deemed necessary for the Company's financial assets and non-financial assets (e.g., property, plant & equipment, intangible assets), by considering the economic situation and outlook at the end of the reporting period.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results. Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event did have an immediate material impact on the business operations. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment. Management will continue to monitor the situation closely and will assess the need for in case the period of disruption becomes prolonged.

2. Corporate Governance and Risk Management

The Company's 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 Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

2.1. The Board of Directors

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework. The Board satisfies itself that financial controls and systems of risk management are robust. As at 31 December 2020, the Board was comprised of 3 executive directors and 2 independent non-executive directors.

The Company has in place an Internal Operations Manual which lays down the procedures and control systems based on which it operates, and also the IOM includes the activities, processes, duties and responsibilities of the BoD, Committees, Senior Management and staff of the Company.

The Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company 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 table below discloses the number of directorships held by members of the management body as at 31 December 2020 (including the directorship held in the Company). Directorships in organisations which do not pursue predominantly commercial objectives, such as non-profit or charitable organisations, are not taken into account.

Table 2 – Number of Directorships of the members of the Board of Directors as at 31 December 2020

Director	Function	Number of Directorships - Executive	Number of Directorships – Non-Executive
Marian Radu	Executive Director	1	-
Marios Tavelis	Executive Director	2	-
Andreas Zavros	Executive Director	1	-
Lambros Soteriou	Non-Executive Director	3	4
Iordanis Argyropoulos	Non-Executive Director	4	1

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

Jennifer Iacovidou and Constantinos Aristophanous both Executive Directors terminated their employment on 02/11/2020 and 30/04/2020 respectively.

Lambros Soteriou as part of his role in one of the Companies that serves as Executive Director is to act as Director to various private Companies.

2.3. Policy on Recruitment

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. Currently for the selection of the members of management, the Company follows the most recent ESMA and EBA joint guidelines, issued on March 2018, on the assessment of suitability of members of the management body and key function holders (ESMA71-99-598, EBA/GL/2017/12).

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 Cyprus investment firm's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations of a Cyprus investment firm.

2.4. Policy on Diversity

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

2.5. Governance Committees

Risk Management Committee

In order to support effective governance and management of the wide range of responsibilities the Board has established the Risk Management Committee. The Risk Management Committee has been formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general. The members of the Risk Management Committee as at 31 December 2020 are shown in the table below:

Table 3 – Risk Management Committee (members and positions as at 31/12/2020)

Member Name	Function
Pavlos Antoniou	Head of Brokerage & Risk Manager
Marios Tavelis	Executive Director – Chief Operations Officer
Lambros Soteriou	Non-Executive Director, Independent

The Risk Management Committee, inter alia, scrutinizes, and decides on various risks inherent with the operation of the Company with the view to formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company. Moreover, the Risk Management Committee reviews the risk management procedures in place (monitors and controls the Risk Manager in the performance of his duties and the effectiveness of the Risk Management Department).

The Risk Management function operates independently and monitors the following: (a) the adequacy and effectiveness of the Company's risk management policies and procedures, (b) the level of compliance by the Company and its staff with the arrangements, processes and mechanisms adopted, and (c) the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the Company's staff to comply with such arrangements, processes and mechanisms or follow such policies and procedures. As an additional and effective control, the Risk Management Committee is responsible for monitoring and controlling the Risk Manager in the performance of his/her duties.

The Risk Management Committee meets at least annually, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager. During 2020, the Risk Management Committee met three times.

Investment Committee

An Investment Committee has been formed to ensure the implementation of a prudent investment policy and the monitoring of the provision of adequate investment services to Clients. The Investment Committee reports directly to the Senior Management and its members as at 31 December 2020 are shown in the table below:

Table 4 – Investment Committee (members and positions as at 31/12/2020)

Function
1. Head of Funding, Head of Dealing on Own Account and Director Responsible for AML
2. Outsourced to an external legal party- Investment Advice, Portfolio Management and Investment Research Services
3. A Non-Executive Director, Independent

The Investment Committee is responsible, inter alia:

- (a) to supervise the proper choice of investments (framework for investment decisions);
- (b) to analyze the investment potential and contribute to the elaboration of the investment policy, as applicable;
- (c) to determine the Company's pricing policy;
- (d) to decide upon the markets and types of Financial Instruments in which the Company shall be active;
- (e) to determine the mode, content and frequency of the Client's briefing. Also, to monitor that Retail Clients are informed about their right to request different time frequency of the provision of their periodic statement by the Company, about their investment transactions;
- (f) to brief the Internal Auditor, as applicable;
- (g) to establish, approve, adjust and monitor the Company Investment Policy in relation to the Portfolio Management Department and the Investment Advice Department by using the recommendations of the Heads of the relevant Departments through the Investment Reports, as applicable;

- (h) to review the Company Investment Policy whenever a material change occurs;
- (i) to establish risk profile categories for each Client (e.g. cautious, balance, growth, aggressive);
- (j) to analyse the economic conditions and the investment alternatives based on a thorough examination of third party reports;
- (k) to select appropriate benchmarks for different type of portfolios, where applicable;
- (l) to examine the returns and the associated risks of the Client portfolios, as applicable;
- (m) to annually review the established dealing on own account policy and to use the recommendations of the Head of the Dealing on Own Account Department. Such a review shall also be carried out whenever a material change occurs; and
- (n) to monitor the collection of the Client information through the filling of the Investment Questionnaire, or information obtained through interviews.

Remuneration Committee

The Company has taken into account its size, internal organization and the nature, scope and complexity of its activities, as well as the provisions of CySEC Circular C81 and has determined that it is not required to have in place a Remuneration Committee, and that such function may be effectively performed by the Board. However, the Board may establish and/or dissolve a Remuneration Committee at any time. Should the Board establish a Remuneration Committee the Board shall appoint the members of the Remuneration Committee.

Affiliate Committee

An Affiliate Committee has been established by the Board of Directors during 2017, to ensure that the Company is in compliance with CySEC's Circulars 199 and 217 as well as to manage its affiliates, specifically for:

- The Approval of collaboration of affiliates;
- The Review and maintenance of the Affiliates agreement; and
- Monitoring the Affiliates.

The members of the Affiliate Committee, as at 31 December 2020, are shown in the table below:

Table 5 – Affiliate Committee (members and positions as at 31/12/2020)

Function
1. Compliance Officer and AML Compliance Officer
2. Head of Funding, Head of Dealing on Own Account and Director Responsible for AML

2.6 Other Governance Functions

Internal Audit

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

The Internal Auditor reports to the Senior Management and the Board of Directors of the Company.

The Internal Auditor confirms that all activities of the Company, including outsourced activities, fall within the overall scope of the Internal Audit function. The scope remains unrestricted with no impediments as to the Internal Audit function's ability to challenge the Senior Management and report its findings/ concerns accordingly.

In setting its scope, the Internal Audit function independently determines the key risks that the Company faces, including emerging and systemic risks, and how effectively these risks are being managed. In particular, the overall scope of the Internal Audit function comprises the below:

- To provide an independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Company's internal control, risk management and governance systems and processes/procedures in place;
- To assess and evaluate the presence and adequacy of a continuous audit trail in the Company;
- To review and assess the general compliance of the Company with the relevant Cyprus Investment Firms (hereinafter, the "CIF") Organisational Structure and Operating Conditions requirements;
- To inspect and examine the adequacy of the Client Account Opening Procedures;
- To assess and evaluate the adequacy of the policies, practices, measures, procedures and control mechanisms applied by the Company for the prevention of money laundering and terrorist financing;
- To ensure compliance of the Company with its obligations for the conduct of its business obligations when providing services to Clients;
- To inspect and examine the adequacy of the Company's basic accounting practices and financial information;
- To ensure compliance of the Brokerage Department, the Dealing on Own Account Department, the Investment Advice Department, the Portfolio Management Department, the Investment Research Department, the Administration/Back Office Department, the Marketing Department, the Relations Department, the Compliance Function, the Risk Management Function and the Accounting Function of the Company with the regulatory framework;
- To review other matters that came to the Internal Auditor's attention during the on-site inspection, for which the Company's Board of Directors and Senior Management need to be aware of; and
- To assess and report to the Board of Directors and Senior Management the Internal Auditor's major findings and recommendations.

The Internal Auditor establishes, implements and maintains an audit plan to examine and evaluate the adequacy and effectiveness of the CIF's systems, internal control mechanisms and arrangements. The Audit Plan is being updated on a yearly basis (or more frequently, if deemed necessary) in order to enable an on-going real-time assessment of where significant risks lie and is being customised according to the Company's profile.

The Internal Audit Plan is set independently and objectively as deemed appropriate/suitable and proportionate to the Company, in line also with the relevant principle of proportionality. To this effect, for the materialisation of the Internal Audit plan, specific and relevant Monitoring Objectives have been determined together with their corresponding Monitoring/Testing Methods

which have been designed and implemented during the Internal Audit inspection(s) and are reflected in the Sections of the Internal Audit Report.

The Internal Audit function takes risk-based decisions as to which areas within its scope should be included in the yearly Audit Plan and tested accordingly. In particular, the Internal Audit function sets priorities and decides where to carry out more detailed work, whilst focusing on areas where it considers risk to be higher, either in light of the specifics of the Company, relevant developments in the financial industry and operational environment or relevant regulatory updates possibly affecting the business of the Company; thus, not all the potential scope areas of the Company will necessarily be tested every year.

Compliance Officer

The Board ensures regulatory compliance through a comprehensive and pro-active compliance strategy. To this end, the Board has appointed a Compliance Officer in order to establish, implement and maintain adequate and effective policies and procedures, as well as appropriate systems and controls designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the Compliance Officer is responsible to put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer reports to the Senior Management and the Board of Directors of the Company.

The Compliance Officer is independent and has the necessary authority, resources, expertise and access to all relevant information and perform all required duties and obligations.

Anti-Money Laundering Compliance Officer

The Board has retained a person in the position of the Company's Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing.

The AMLCO belongs hierarchically to the higher ranks of the Company's Organizational Structure so as to command the necessary authority. The AMLCO reports to the Board of Directors and to the Senior Management.

Ever since the appointment of the AMLCO officer, the AMLCO has been at the disposal of the Company's personnel, the Senior Management and the Board to advise and assist them to comply, with the Company's obligations under the Law, its Directives and Circulars issued thereof. It is also noted that the AMLCO had complete access to all the relevant systems and information requested as well as to all reports (i.e. external audit, internal audit, compliance officer and risk manager reports etc.). The technical resources of the AMLCO Department during the period under review were assessed and have been considered adequate for the prevention of money laundering and terrorist financing activities based on the level and type of business activities of the Company.

In case additional resources are required, whether technological or staffing, the AMLCO communicates these needs to the Company's Board of Directors.

2.7 Information flow on risk to the management body

Risk information flows up to the Board directly from the business departments and control functions. The Board of Directors ensures that it receives on a frequent basis, at least annually written reports, inter alia, regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues and approves the Company's ICAAP report, (please refer to ANNEX I for more details).

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 Company to absorb losses. The Company is required to hold own funds in sufficient quantity and quality in accordance with CRR/CRD IV which sets out the characteristics and conditions for own funds.

Table 6: Own Funds and Minimum Capital Requirements

Own Funds and Minimum Capital Requirements	2020
	€000
<i>Eligible Own Funds</i>	
Share capital	2
Share premium	1.119
Retained Earnings	3.035
Audited profit/(loss) for the period	(192)
Fair value reserve – AFS Financial Assets	-
Revaluation surplus	30
<i>Deductions from Own Funds</i>	
Value adjustments due to the requirements for prudent valuation	(6)
Intangible assets	(201)
Additional deductions of CET1 Capital due to Article 3 CRR	(83)
<i>Original Own Funds (Tier 1 Capital)</i>	3.704
<i>Capital Requirements</i>	
Credit risk	162
CVA Risk	7
Foreign Exchange Risk	123
Equity Market Risk	6
Commodity Risk	1
Operational Risk	378
<i>Total Capital Requirements</i>	677
<i>Capital Adequacy Ratio</i>	43,79%



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

During the year under review, the Company's own funds never dropped below the minimum initial capital requirement (i.e. €730.000) and the Company fulfilled its obligations by successfully submitting, on a quarterly basis, the relevant CoRep Forms.

The Company is required to maintain a minimum Total Capital Adequacy Ratio of 8% for Pillar I risks, plus additional capital buffers as applicable.

The CySEC requires each investment firm to maintain a minimum ratio of capital to RWAs of 8% for Pillar I risks, plus additional capital buffers as applicable, while it may also impose additional capital requirements for risks not covered by Pillar I. As at 31 December 2020, the Company was subject to a minimum Pillar I Capital Adequacy Ratio of 8%, plus a capital conservation buffer of 2,50% and a countercyclical buffer of 0,00%. As a result, as at 31 December 2020 the Company was subject to an overall minimum Capital Adequacy Ratio requirement of 10,50% (for Pillar I plus buffers).

The Company's Total Capital Adequacy Ratio as at 31 December 2020 was 43,79%.

3.1. Tier 1 & Tier 2 Regulatory Capital

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

The composition of the capital base and capital ratios of the company is shown in the following table:

Table 7 – Transitional and Fully-Phased in definition of Own Funds

As at 31 December 2020	Transitional Definition	Full - phased in Definition
	€'000	€'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	1.121	1.121
Retained earnings	2.842	2.842
Fair Value reserve-AFS Investment	-	-
Revaluation surplus	30	30
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	3.993	3.993
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(201)	(201)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Additional Valuation Adjustment	(6)	(6)
CYSEC Investor Compensation Fund	(82)	(82)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(289)	(289)
Common Equity Tier 1 (CET1) capital	3.704	3.704
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	3.704	3.704
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	3.704	3.704
Total risk weighted assets	8.459	8.459
Capital ratios and buffers		
Common Equity Tier 1	43,79%	43,79%
Tier 1	43,79%	43,79%
Total capital	43,79%	43,79%

Definitions:

The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

The Total Capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

3.2. Balance Sheet Reconciliation

Institutions shall disclose a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions and the balance sheet in the audited financial statements of the institution as follows:

Table 8 – Balance Sheet Reconciliation

Balance Sheet Description, as per published financial statements	Amounts
	€000
Share Capital	2
Share Premium	1.119
Retained Earnings	3.034
Audited profit/(loss) for the period	(192)
Fair Value reserve-AFS Investment	-
Revaluation surplus	30
Deductions	
Intangible assets/Goodwill	(201)
Additional deductions of CET1 Capital due to Article 3 CRR	(82)
Value adjustments due to the requirements for prudent valuation	(6)
Total as per Regulatory Capital	3.704

4. Compliance with the Regulation and the overall Pillar 2 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 Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

4.2 Approach to assessing adequacy of Internal Capital

The Company establishes and implements an Internal Capital Adequacy Assessment Process (hereinafter, the “ICAAP”), documents it in an ICAAP Manual and produces in this regard an ICAAP Report, as per the Circular 26 (Guidelines GD-IF-02) & Circular 27 (Guidelines GD-IF-03). Upon CySEC’s request the ICAAP Report shall be submitted to CySEC. The Company prepared an ICAAP report with a reference date 30th of September 2019.

The ICAAP report describes how the Company implements and embeds its ICAAP within its business. The ICAAP also describes the Company’s Risk Management framework e.g. the



Company'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 1 risks) faced by the Company.

5. Pillar I Capital Requirements

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

5.1 Credit Risk

In the ordinary course of business, the Company is exposed to credit risk, which is monitored through various control mechanisms. Credit risk arises when counterparties fail to discharge their obligations and this could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Client credit risk principally arises when a client's total funds deposited (margin and free equity) are insufficient to cover any trading losses incurred.

The Company 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 Company continuously monitors the fair value calculations, forecast and actual cash flows, and cost budgets so that to ensure that the carrying level of Company'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 Company has policies to limit the amount of credit exposure to any financial institution.

Financial Assets - Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more of the following events:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- Indications that a debtor or issuer would enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

The Company considered evidence of impairment for these assets at an individual asset level. All individual assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

The application of IFRS 9, resulted for the Company to recognize additional expected credit losses of €2.248 within 2020.

Exposures in equities and interest rate risk on positions not included in the trading book

The Company, as at the 31/12/2020 held €417 thousand in securities through portfolios with brokers. These securities are classified as financial assets at fair value through profit or loss, in compliance to the requirements of IFRS 9. These relate to non-trading book securities.

5.1.2. Exposure to credit risk

The following table represents the Company's credit risk exposure (before and after Credit risk mitigation - CRM), average exposure, risk weighted assets ("RWA") and minimum capital requirement as at 31 December 2020, broken down by exposure class.

Table 9 – Analysis of Average Exposures

Asset Class	Exposure amount before CRM	Exposure amount after CRM	Average exposure	Risk weighted assets	Capital Requirements
	€000				
Equity	187	187	174	187	15
Institution	2.952	2.941	3.454	637	51
Corporate	969	892	1.473	892	71
Other items	235	235	264	231	18
Retail	4	1	3	1	-
CIU	83	83	85	83	7
Total	4.430	4.339	5.453	2.031	162

The table below illustrates the geographic distribution of the Company's exposure before CRM.

Table 10 – Geographical distribution of the exposure classes

	CY	US	MH	CH	OTHER	Total
Asset Class	€000	€000	€000	€000	€000	€000
Equity	-	87	-	-	100	187
Institution	2.155	2	-	628	168	2.952
Corporate	237	177	161	164	230	969
Other items	235	-	-	-	-	235
Retail	1	-	-	-	2	4
CIU	-	83	-	-	-	83
Total	2.628	349	161	792	500	4.430

The table below provides a breakdown of the exposure before CRM per residual maturity and per asset class:

Table 11 - Residual maturity broken down by exposure class

	≤3 months	>3 months or Not Applicable	Total
Exposure	€000	€000	€000
Equity	-	187	187
Institutions	2.792	160	2.952
Corporates	543	426	969
Other Items	-	235	235
Retail	4	-	4
CIU	-	83	83
Total	3.339	1.091	4.430

The following table illustrates the exposure before CRM per industry sector per asset class:

Table 12 – Exposures by industry

	Financial sector	Other	Total
Asset class	€000	€000	€000
Equity	-	187	187
Institutions	2.952	-	2.952
Corporates	166	803	969
Other Items	-	235	235
Retail	-	4	4
CIU	-	83	83
Total	3.118	1.312	4.430

5.2. Use of ECAIs

The Company shall disclose the names of the nominated ECAIs and the exposure values along with the association of the external rating with the credit quality steps. In determining risk weights for use in its regulatory capital calculations, the Company uses Moody's, Fitch and S&P as External Credit Assessment Institutions (ECAIs).

Table 13 - ECAI Association with each credit quality step

Credit Quality Step	Rating			Corporate	Institutions			Sovereign
	Moody's	Fitch	S&P		Sovereign method	Credit Assessment method		
						Maturity > 3 months	Maturity 3 months or less	
1	Aaa to Aa3	AAA to AA-	AAA to AA-	20%	20%	20%	20%	0%
2	A1 to A3	A+ to A-	A+ to A-	50%	50%	50%	20%	20%
3	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	100%	100%	50%	20%	50%
4	Ba1 to Ba3	BB+ to BB-	BB+ to BB-	100%	100%	100%	50%	100%
5	B1 to B3	B+ to B-	B+ to B-	150%	100%	100%	50%	100%
6	Caa1 and below	CCC+ and below	CCC+ 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.

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.

The Other Items category includes property, plant and equipment and cash in hand. A risk weight of 100% was applied to Other Items, with the exception of cash at hand, for which a 0% risk weight factor was assigned.

Exposure values pre- and post-credit risk mitigation, by credit quality step.

Table 14 - Exposures before and after credit risk mitigation as at 31 December 2020

Credit Quality Step	Exposure amount before credit risk mitigation	Exposure amount after credit risk mitigation
	€000	€000
1	101	101
2	511	511
3	466	466
4	84	84
5	1	1
6	-	-
Unrated/Not Applicable	3.267	3.176
Total	4.430	4.339

5.3. Securitizations

The Company is not an active participant in the origination of securitisations (meaning pooled assets with tranching risk), and accordingly detailed Pillar 3 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.

Table 15 – Counterparty Credit Risk broken down by type of exposure as at 31 December 2020

Type of exposure	Positive Fair Value	Negative Fair Value	Nominal Value	Exposure Amount before CRM	Exposure Amount After CRM	Risk Weighted Assets	Capital Requir.
	€000						
FX Derivatives	1	-	29	1	-	-	-
Crypto Derivatives	0	-	0	0	0	0	0
Derivatives on Gold	3	-	104	4	1	-	-
Derivatives on Precious Metals	-	-	-	-	-	-	-
Commodity Derivatives	-	-	3	-	-	-	-
Equity Derivatives	203	(190)	5.439	530	443	200	16
Total	207	(190)	5.575	535	444	200	16

The Company does not hold any real crypto assets, however it is minorly exposed to CFDs with crypto as their underlying instrument which are less than 1% of the total volume of CFDs of the Company in terms of notional value. The Company has followed circular C417 of CySEC to determine the relevant Counterparty Credit Risk capital requirements for its crypto exposures.

Funded Credit Protection

The Company mitigates its counterparty credit risk exposure by recognising the deposits/margin of its counterparties, as eligible funded credit protection.

The Firm applies the Comprehensive Method for Credit Risk Mitigation (CRM) purposes.

Any collateral recognised by the Company for the purposes of CRM is in the form of cash (funded credit protection). No collaterals in the form of guarantees or credit derivatives were being used for Credit risk mitigation purposes as at the reference date. Furthermore, the Company did not make use of on- or off-balance sheet netting.

Table 16 – Funded/Unfunded Credit Protection

Asset Class	Funded Credit Protection	Unfunded Credit Protection
	€000	€000
Equity	-	-
Institutions	12	-
Corporates	77	-
Other Items	-	-
Retail	2	-
CIU	-	-
Total	91	-

5.5. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and commodity prices will affect the Company's income or the value of its holdings of financial instruments. The Company's exposure to market risk at any point in time depends primarily on short term market conditions and client activities during the trading day.

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

The Company 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 Company's exposure to price risk. The Company'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 Company over the year.

The Company has market price risk as a result of its trading activities of CFDs on stocks, indices, commodities, ETFs, etc. and in respect to the cryptocurrencies held to facilitate the crypto exchange services to clients.

5.5.1. Equity Risk

The sum of the absolute values of all the Company's net long positions and all its net short positions is its overall gross position. The Company 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.

Stock-index futures stock indices collectively referred to hereafter as 'stock-index futures', are not broken down into its underlying positions and are treated as if they were an individual equity. However, 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 Company 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 Company's overall net position multiplied by 8%.

As at 31 December 2020 the Company capital requirements for Market Equity Risk was €6 thousand.

5.5.2. Foreign Exchange Risk

The Company's reporting currency is Euro. Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

If the sum of the Company's overall net foreign-exchange position and its net gold position exceeds 2% of its total own funds, the Company calculates own funds requirements for foreign exchange risk. The own funds requirement for foreign exchange risk is the 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 Company 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.

As at 31 December 2020 the Company capital requirements for Market Foreign Exchange Risk was €123 thousand.

5.5.3. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company's exposure to interest rate risk is limited as the Company is not engaged in any significant interest bearing loan or other interest bearing agreements.

5.5.4. Commodity Risk

Commodity risk arises from the positions of the Company in derivative contracts for which the underlying instruments are commodities.

As at 31 December 2020, the company also held crypto currency positions in the form of derivatives (CFDs), that due to their characteristics may be treated as digital commodities. The Company has followed circular C417 of CySEC to determine the relevant Market Risk capital requirements for its crypto exposures, in which have been calculated under commodity risk.

As at 31 December 2020 the Company capital requirements for Commodity Risk was €1 thousand.

5.6 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Specifically, operational risk includes the following risks: legal, reporting, terrorism risks, third party dependency, personnel issues, and systems failure.

The Company mitigates operational risks by having in place procedures for the identification, measurement, monitoring and controlling of operational risks faced, addressed in turn in the following sub-sections.

The Company calculates its operational risk using the Basic Indicator approach and takes the average over three years of the sum of its net income. The table below shows the Company's exposure to Operational Risk:

Table 17 – Average net income over three years

	2018	2019	2020	Average
	€000	€000	€000	€000
Total Net Income from Activities	3.082	2.852	1.609	2.514

Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15% of the above relevant indicator, resulting in an operational risk capital requirement of €378 thousand.

6. Other Risks

6.1. Concentration Risk

For the purposes of calculating large exposures, exposures mean any asset or off-balance sheet item without application of the risk weights or degrees of risk there provided for. Exposures arising from derivative instruments are calculated in accordance with the treatment for Counterparty Credit Risk (CCR) applied by the Company.

According to Directive DI144-2014-14, Prudential Supervision of Investment Firms, as amended, Paragraph 61, Limitations on exposures to directors and shareholders, a CIF is not allowed to have unsecured exposures to all its directors and their connected parties of more than 1% and to all its shareholders and their connected persons, that are not an institution and not part of the Trading Book, 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.

6.2. Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company 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 Company's key directors, the loss of large clients, poor client service, fraud or theft, client claims and legal action, regulatory fines and from negative publicity relating to the Company's operations whether such fact is true or false.

The Company has transparent policies and procedures in place when dealing with possible client 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 Company provides high quality services to clients.

6.3. 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 Company'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 Company.

6.4. Business Risk

Business risk may arise when an event causes inadequate profits or results in losses. As to the Company's business activities generally, business risk can be influenced by various factors, including trading volume, business costs, competition, economic environment, government and regulations and business reputation.

The Company could specifically face strategic business risk, capital risk or reputation risk, as addressed in the following sub-sections.

6.5. Capital Risk Management

Capital Risk is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and

procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and must maintain a minimum level of capital. This ultimately ensures the going concern of the Company. Such procedures are explained in the Procedures Manual of the Company.

The Company is further required to report on its capital adequacy quarterly and has to maintain at all times a minimum capital adequacy ratio which is set at (8% + buffers) 10,5%. The capital adequacy ratio expresses the capital base of the Company 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.

6.6. Regulatory Risk

Regulatory risk is the risk the Company 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 Company 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 Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually.

The Company's aim is for the materialization of the Compliance risk to be minimized to the lowest possible level and, as such, the Company has reviewed and examined in detail the findings and recommendations of the Internal Auditor, and Compliance Officer and shall take all necessary remedy measures/actions in order to fully comply with the Regulatory Requirements.

Furthermore, the Company's Compliance Officer has initiated a program for 2020 to supervise and ex-amine in detail the level of compliance of certain areas of the Company with the relevant legislation in light of any deficiencies identified during the year under review, propose remedy measures/actions, and provide the relevant training to the Company's personnel, as and when required.

6.7. 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. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Internal Auditors. The structure of the Company 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 Company'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.

6.8. 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 Company's information technology.

Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable. Materialization of this risk has been minimized to the lowest possible level.

6.9. 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 Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

7. Remuneration policy

The Company has established a remuneration policy which is in accordance with the requirements of:

- the Investment Services and Activities and Regulated Markets Law 87(I)/2017;
- CySEC's Directive DI144-2014-14;
- CySEC's Circulars 031, C138;
- Any related 'Guidelines on sound remuneration policies' published by European Banking Authority from time to time (see Circular C240);
- The questions and answers 2 and 3 of Chapter 2 of Q&A relating to the provision of CFDs and other speculative products to retail investors under MiFID; and
- The 'General Data Protection Regulation 2016/679' ("GDPR").

The purpose of this Policy is to set out the remuneration practices of the Company. Remuneration means all forms of payments or benefits provided directly or indirectly by the Company to personnel and in the provision of investment and/or ancillary services to clients.

The Company's Remuneration includes:

- a. financial Remuneration (i.e. salary, cash, shares, options, cancellations of loans to personnel, pension contributions, remuneration by third parties e.g. through carried interest models);
- b. non-financial Remuneration (i.e. career progression, health insurance, discounts or special allowances for car or mobile phone, generous expense accounts, seminars in exotic destinations.), and
- c. other benefits in kind.

This Policy is approved by the Company's Board of Directors, after taking advice from the Compliance Function, and is implemented by appropriate functions to promote good corporate governance practices.

Finally, the Policy adopts and maintains measures enabling the Senior Management and relevant supervisory functions to effectively identify and act where Remuneration may incentivize a personnel to act contrary to the best interest of the clients.

7.1. Remuneration System

Remuneration Policy applies to relevant persons. These relevant persons can have a material impact on the service provided and/or corporate behaviour of the firm and include:

- Senior Management, risk takers, personnel engaged in control functions and any personnel receiving total remuneration that takes them into the same remuneration bracket as senior management, risk takers whose professional activities have a material impact and whose remuneration may create inappropriate incentives to act against the best interest of the Company's clients;
- Employees
- Executive directors, non-executive members of the Board of Directors, the Heads of the Departments, as well as other persons who oversee the sales force and customer support personnel (if any) who may be incentivised to pressurize sales/customer support staff; and
- Outsourced functions

The Remuneration Policy aims to 1) provide for sufficient incentives so as for the personnel, to achieve the business targets, 2) deliver an appropriate link between reward and performance whilst at the same time become a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and/or mis-selling practices in light of financial incentives schemes, which could lead to compliance risks for the Company in the long run.

The Company's remuneration system inevitably considers the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each personnel. Thus, the Company considers remuneration as a significant method of attracting and retaining key Personnel whose talent can contribute to the Company's short and long term success, whilst simultaneously ensuring that the Clients' interests will not be impaired by the remuneration policies and practices adopted by the Company in the short, medium and long term.

It is noted that the Company has taken into account its size, internal organisation and the nature, scope and complexity of its activities as well as the provisions of CySEC Circular C81 and it does not deem necessary the establishment of a specific remuneration committee. Such function may be effectively performed by the Board, however, the Board may establish and/or dissolve a Remuneration Committee at any time.

The total remuneration of staff currently consists of a fixed and a variable component. 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, risk, accountability, and responsibility needed for an employee to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

7.2. Performance Appraisal

The Company implements a performance appraisal method, mainly to foster talent and promote healthy competition amongst personnel, which is based on a set of Key Performance Indicators and Targets, developed for each department.

The Company ensures 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 considered; annual performance evaluation and performance rating are considered),
- b) the business unit concerned, and
- c) the overall results of the Company and as long as conflicts of interest are mitigated, as described in this Policy.

7.3. Remuneration of Senior Management Personnel and Directors

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

Table 18 – Remuneration analysis split by Senior Management and other risk takers

2020	Senior Management*	Other Staff**	Total
Fixed reward €000	407	78	485
Variable reward €000	49	5	54
Total €000	456	83	539
Number of beneficiaries	13	3	16

*Senior Management personnel includes the Board of Directors and the Head of each Department.

**Other staff includes Senior Officers whose actions have a material impact on the risk profile of the Company.

Companies are required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of Euro 1 million, 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 Company that are remunerated Euro 1 million or more per financial year and as such the above disclosure is not applicable to the Company.

During the year under review the Company did pay a material variable remuneration (i.e. staff bonuses) to its risk takers, all of which was in the form of cash. Also, during 2020 no remuneration was paid or was awarded under deferral arrangements (with vested or unvested portions) while the Company did not pay or award any sign-on or severance payments.

Furthermore, aggregate remuneration analyzed by business area is presented below:

Table 19 – Aggregate remuneration analysis by business area

Business Area	Aggregate Remuneration
	€000
Control Functions*	319
Brokerage, Dealing on Own Account and Sales	56
Finance & Accounting	33
Other Functions**	131
Total	539

* Control functions include the Executive Directors and Compliance Department.

** Other functions include the Non - Executive Directors and other Departments.

Notes:

- The Company paid variable remuneration (i.e. staff bonuses) to its staff.
- The variable component did not exceed 100% of any employee's fixed component of total remuneration.

8. Leverage ratio

An underlying cause of the global financial crisis was the build-up of excessive on- and off-balance sheet leverage in the financial system. In many cases, institutions built up excessive leverage while apparently maintaining strong risk-based capital ratios. At the height of the crisis, financial markets forced the banking and financial services sector to reduce its leverage in a manner that amplified downward pressures on asset prices. This deleveraging process exacerbated the feedback loop between losses, falling bank capital and shrinking credit availability.

The Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements.

Leverage ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio. It is noted that since 1 January 2018, the Leverage Ratio, has been migrated into a Pillar I minimum capital requirement. The institution calculates its leverage ratio as end of each quarter.

The minimum requirement ratio for the purposes of leverage ratio is currently set to 3%. The Institution's leverage ratio as at the reference date is 54,24%.

Description of the Processes Used to Manage the Risk of Excessive Leverage

In order to manage the risk of excessive leverage, the Company monitors its Leverage ratio at least on a quarterly basis and ensures that it is always well above the minimum threshold of 3%.

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

The Leverage ratio of the Company over the financial year 2020 ranged between 82,29% recorded in June 2020 and 54,24% observed in December 2020 based on audited figures, with an average

rate of 70,37%. The reason for this fluctuation is the increase in the Company's exposure measure and at the same time a decrease in the Company's Tier 1 capital.

The table below, provides a reconciliation of accounting assets and leverage ratio exposures.

Table 20 – Reconciliation of accounting assets and leverage ratio exposure

	Applicable Amounts
	€000
Total assets as per audited financial statements	4.193
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	535
Adjustments for securities financing transactions "SFTs"	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
Other adjustments	2.101
Total leverage ratio exposure	6.829

The tables below provide a breakdown of the exposure measure by exposure type:

Table 21 – Breakdown of the exposure measure by exposure type

	CRR leverage ratio exposures €000
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6.583
(Asset amounts deducted in determining Tier 1 capital)	(289)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	6.294
Replacement cost associated with <i>all</i> derivatives transactions (i.e. net of eligible cash variation margin)	207
Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	328
Total derivative exposures	535
Securities financing transaction exposures	
Total securities financing transaction exposures	-
Other off-balance sheet exposures	
Other off-balance sheet exposures	-
Capital and total exposures	
Tier 1 capital	3.704
Total leverage ratio exposures	6.829
Leverage ratio	54,24%

Table 22 – Breakdown of total balance sheet exposure (excluding derivatives, SFTs and exempted exposures) by asset class

	CRR leverage ratio exposures €000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6.293
Trading book exposures	2.400
Banking book exposures, of which:	3.893
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
Institutions	2.634
Retail exposures	-
Corporate	755
Exposures in default	-
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	504

ANNEX I – Information flow on risk to management body

	Report Name	Owner of Report	Recipient	Frequency
1	Risk Management Report	Risk Manager	CySEC, BoDs	Annually
2	Internal Capital Adequacy Assessment Process	Risk Manager	CySEC (upon request), BoDs	Annually or more frequent upon management request
3	Compliance Report	Compliance Officer	CySEC, BoDs	Annually
4	Internal Audit Report	Internal Auditor	CySEC, BoDs	Annually or more frequent upon management request
5	Anti-money laundering report	Anti-money laundering Compliance Officer	CySEC, BoDs	Annually
6	Investment Committee decisions	Risk Manager	BoDs	Upon request
7	Pillar III Disclosures	Risk Manager	CySEC, BoDs, Publicly available through the Company's website	Annually
8	Pillar I CoREP Templates	Risk Manager	CySEC, BoDs	Quarterly