

Teletrade-DJ International Consulting Ltd

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2020

Regulated by the Cyprus Securities and Exchange Commission License no. 158/11

DISCLOSURE

The Disclosure and Market Discipline Report for the year 2020 has been prepared by Teletrade-DJ International Consulting 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.

Teletrade-DJ International Consulting 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.

*Teletrade-DJ International Consulting Ltd is regulated by the Cyprus Securities and Exchange Commission under License number **158/11**.*

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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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Abbreviation	Full description
BoD	Board of Directors
CAR	Capital Adequacy Ratio
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CIF	Cyprus Investment Firm
CRD IV	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECB	European Central Bank
EMIR	European Market Infrastructure Regulation
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
FATF	Financial Action Task Force
FOH	Fixed Overheads
GDPR	General Data Protection Regulation
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICF	Investors Compensation Fund
IFRS	International Financial Reporting Standards
IOM	Internal Operations Manual
MIFID II	Markets in Financial Instruments Directive 2014
OECD	Organisation for Economic Co-Operation and Development
OTC	Over the Counter
PRIIP	Packaged Retail and Insurance-based Investment Products
PSP	Payment Service Provider
RAG	Red-Amper-Green
RAS	Risk Appetite Statement
RBS-F	Risk Based Supervision Framework
RMF	Risk Management Framework
RWA	Risk Weighted Assets
SME	Small and Medium-sized Enterprise
CySEC	Cyprus Securities and Exchange Commission

1. Introduction

1.1. Investment Firm

Table 1: Company information

Company's Information	
CIF Authorization date	14/12/2011
CIF License number	158/11
Company Registration Date	01/09/2010
Company Registration Number	HE 272810

Services

Investment Services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of Orders on Behalf of Clients
- Dealing on Own Account
- Portfolio Management
- Provision of 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
- Investment research and financial analysis or other forms

1.2. Purpose

The present report is prepared by Teletrade DJ-International Consulting 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 158/11 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 Fixed Overheads risk capital requirements
- **Pillar II** requires firms to undertake an overall internal assessment of their capital adequacy, taking into account all the 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 2020 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 Firm's external auditors and published on the Company's website at www.teletrade.eu on an annual basis. Further domains of the company are the following; www.teletrade.es; www.teletrade.hu; www.teletrade.bg; www.teletrade.co.uk; www.teletrade-dj.it; www.teletrade-dj.ro; www.teletrade-dj.de; www.teletrade-dj.lv; www.teletrade-dj.cz; www.teletrade-dj.gr; www.teletrade-dj.lt; www.teletrade.pt/ www.teletrade-dj.pl; www.teletrade-dj.sk.

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 (outsourced), 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, Fixed Overheads risk and to market risk. More information can be found in the sections below.

The Company is making the disclosures on a solo basis. This report has been prepared using the Audited Financial Statements of 2020.

1.3. The Company

Teletrade DJ-International Consulting Ltd (hereinafter the “Company”), is a registered Cypriot Investment Firm authorised and regulated by the Cyprus Securities and Exchange Commission (hereinafter the “CySEC”) with license no. 158/11, offering investment and ancillary services in relation to Forex/CFDs.

Teletrade DJ-International Consulting Ltd, as a CIF, operates in Cyprus, offering Contracts for Difference (“CFD”) products and has 19 employees located in Cyprus.

The Company has a stable business model and this is reflected in a well-balanced capital allocation between the Company’s operations.

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 2020 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. 2019/876 – Capital Requirements Regulation II (Transitional)
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation
- Directive (EU) 2019/878 – amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V - Transitional)
- 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. Coronavirus outbreak

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 period.

Management will continue to monitor the situation closely.

1.6. 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.

2. Governance and Risk Management

Implementing a high-performance and efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates, as are maintaining a strong risk culture and promoting good corporate governance. The Company's risk management (outsourced) supervised at the highest level is compliant with the regulations enforced by CySEC and the European regulatory framework.

The Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that it identifies and manages its risk adequately. Responsible for the Company's internal control system and the management of its risks are the following:

- Board of Directors
- Senior Management
- Risk Manager (outsourced)
- Anti-Money Laundering Compliance Officer
- Compliance Officer
- Internal Audit Function (outsourced)

2.1. Types of Risks

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

- **Credit and Counterparty risk** (including Country 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 may be further amplified by 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; Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.
- **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.

- **Operational risks** (including Accounting and Environmental 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.
- **Liquidity risk**: risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.
- **Compliance risk** (including Legal and Tax risks): risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.
- **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.
- **Strategic risk**: risks inherent in the choice of a given business strategy or resulting from the Company's inability to execute its strategy.
- **Business risk**: risk of lower than anticipated profits or experiencing losses rather than a profit.

2.2. Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. Risk Appetite is defined using both quantitative and qualitative criteria.

The Risk Appetite Framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICAAP, which is also used to ensure capital adequacy under stressed economic scenarios.

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk will be analysed and approved by the BoD. The Company's risk appetite strategy will be implemented by the Senior Management in collaboration with the BoD 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, authorisation 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 will be regularly supervised over the year in order to detect any events that may result in unfavourable 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.

2.3. Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process ("ICAAP") requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization 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 company is in the process of updating its ICAAP for the year 2020, in which each risk will be taken into account and be stress tested.

2.4. Stress Tests

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Company
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions: This takes place in the context of the Company's ICAAP on an annual basis
- The evaluation of the Company's strategy: Senior management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows senior management to determine whether the Company's exposures correspond to its risk appetite
- The establishment or revision of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios

The ultimate responsibility and ownership of the Company's stress testing policy rests with the Board of Directors. If the stress testing scenarios reveal vulnerability to a given set of risks, the management should make recommendations to the Board of Directors for mitigation measures or actions. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, risk appetite, capital and liquidity planning
- Review limits
- Reduce underlying risk positions through risk mitigation strategies
- Consider an increase in capital
- Enhance contingency planning

The Company performs financial modelling and stress analysis on a frequent basis especially when year-end financial results are available or when it revises its business plan.

The Company has performed a qualitative analysis of the material Pillar II risks, as well as weighted them

against the Company's future development. By doing so, it has been deduced that in the future, whilst the probability of occurrence of any material risk is likely to remain the same, the associated/respective financial cost is likely to increase in light of the future enlargement of the organisation. The Company has

thus, reached the decision that in planning its projected Capital for Pillar II purposes for the 3 years projected period, it shall maintain the same assumptions as it did in the first year's Risk Register calculations in terms of the probability of risk occurrence and probability/impact Matrix, while it will only amend the financial impact element of each risk.

2.5. Diversity Policy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success.

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skills, experience, background, race and gender between them. A balance of these differences will be considered when determining the optimum composition.

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practises in the Corporate Governance Code of many EU countries.

2.6. Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the BoD.

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities.

Factors considered in the review of potential candidates include:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject
- Knowledge of and experience with financial institutions ("fit-and-proper")
- Integrity, honesty and the ability to generate public confidence
- Knowledge of financial matters including understanding financial statements and financial ratios

- Demonstrated sound business judgment
- Risk management experience

The Company has established a dedicated recruitment policy in relation to the BoD.

2.7. Remuneration

Remuneration refers to payments or compensations received for services or employment. The remuneration system includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the CIF's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the Directive D1144-2014-14.

During 2020, the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board of Directors and the Heads of the Departments; the said practices are established to ensure that the rewards for the 'Executive Management' provide the right incentives to achieve the key business aims.

The total remuneration of staff consists of fixed and variable components. Fixed and variable components are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

Table 2: Aggregate Quantitative Information on Remuneration broken down by business area

Figures in EUR (thousands)	Aggregate Remuneration
Executive and Non-Executive Directors	133
*Control Functions	22
**Other risk taking functions	163
Total	318

*Control functions include the persons employed in the Legal, Risk Management, AML & Compliance Department and Senior Management.

** Other risk-taking functions also includes categories of staff whose total remuneration takes them into the same remuneration bracket as senior management and risk takers

Table 3: Aggregate Quantitative Information on Remuneration broken down by business area

Figures in EUR (thousands)	No. of people	Fixed (cash)	Variable (cash & non-cash)	Total
Senior Management & Directors	7	243	-	243
Other staff whose actions have a material impact on the risk profile of the Institution	2	75	-	75
Total	9	318	-	318

In the above table, the category "Senior Management & Directors" consists of the Four Eyes and the Directors of the Company. "Other risk Staff" includes the personnel employed in the departments/business areas mentioned above whose actions could have a material impact on the risk profile of the Company or/and other staff whose total remuneration takes them into the same remuneration bracket as senior management and risk takers. It is noted that staff in the Company's representative offices in other countries such as Spain, Italy, Latvia, Czech, Lithuania etc. are not included in the breakdown in tables above since their business line is not considered as risk taking function. The total staff cost as at 31/12/2019 is provided in the Company's Financial Statements.

2.8. Performance Related Pay

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

- The individual
- The business unit concerned
- The overall results of the Company

Examples of qualitative criteria include compliance with regulatory requirements (especially conduct of business rules) and internal procedures, fair treatment of clients and client satisfaction.

The Company implements a performance appraisal program, 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 Board of Directors ensures that any forms of performance related pay schemes do not give rise to any potential conflict of interest between the firm and the employees or the firm and the clients.

2.9. Directorships held by Members of the Management Body

In 2020, 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 4: Directorships held by Members of the Management Body

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Inna Leonova	Executive Director	1	-
Nicolas Leventis	Executive Director	1	-
Giannakis Georgiou	Non-Executive Director	-	3
George Constantintides	Non-Executive Director	-	3

2.10. 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 5: Periodic Reporting Summary

Report Name	Report Description	Owner	Recipient	Frequency	Due Date/ Extension*
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	30/04/2021 30/06/2021
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	30/04/2021 30/06/2021
Annual Risk Management Report	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager (outsourced)	BoD, CySEC	Annual	30/04/2021 30/06/2021
Pillar III Disclosures (Market Discipline and Disclosures)	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy	Risk Manager (outsourced)	BoD, CySEC, Public	Annual	30/04/2021 30/06/2021

	and risk exposures				
Independent Auditors Verification on the Pillar III Report	The verification of the Pillar III Disclosures (Market Discipline and Disclosures) Report by the Independent Auditor	External Auditor	BoD, CySEC	Annual	31/05/2021 31/07/2021
Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	30/04/2021 31/07/2021
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 (outsourced)/ Accounting	Senior Management, CySEC	Quarterly	12/05/2020 11/08/2020 11/11/2020 11/02/2021 31/05/2021 30/06/2021
ICAAP (Pillar II) Report	The Internal Capital Adequacy Assessment Process, relating to the monitoring and assessment of the risks that are not fully covered by Pillar I	Risk Manager(outsourced)	BoD, CySEC	Annual	N/A

3. Capital Management and Adequacy

3.1. The Regulatory Framework

In response to the financial crisis of recent years, the Basel Committee, mandated by the G20, has defined the new rules governing capital and liquidity aimed at making the financial sector more resilient. The new Basel III rules were published in December 2010. They were translated into European law by a directive (CRDIV) and a regulation (CRR) which entered into force on 1st January 2014.

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

In terms of capital, the main new measures introduced to strengthen institutions' solvency were as follows:

- The complete revision and harmonisation of the definition of capital, particularly with the amendment of the deduction rules, the definition of a standardised Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities
- New capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and hedge exposures on the central counterparties (CCP)
- The set-up of capital buffers that can be mobilised to absorb losses in case of difficulties. The new rules require regulated liquidity providers to create and maintain a capital conservation buffer and allows supervisory authorities to enforce an additional countercyclical buffer, aimed to preserve the institution's solvency in the event of adverse conditions
- Capital conservation buffers came into force in January 2016 and have been annually phasing towards their full application in January 2019
- The set-up of restrictions on distributions, relating to dividends, Additional Tier 1 instruments and variable remuneration, via the maximum distributable amount (MDA) mechanism. At end-2015, the European Banking Authority (EBA) issued a

clarifying statement, which indicated that the MDA should be applied when an institution no longer complies with its CET1 ratio requirements, including those of Pillar II and capital buffers

- In addition to these measures, there will be measures to contain the size and consequently the use of excessive leverage. To this end, the Basel Committee defined a leverage ratio, for which the definitive regulations were published in January 2014. The Basel leverage ratio compares the institution's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions. Full scope institutions have been obliged to publish this ratio since 2015.

3.2. Regulatory Capital

According to the International Financial Reporting Standards (IFRS), the Company's regulatory capital consists of Common Equity Tier 1 and Tier 2 Capital.

Common Equity Tier 1 Capital (CET1 Capital)

According to CRR/CRDIV regulations, Common Equity Tier 1 capital is made up primarily of the following:

- Ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts
- Retained earnings
- Other reserves
- Minority interest limited by CRR/CRDIV

Deductions from Common Equity Tier 1 capital essentially involve the following:

- Estimated dividend payment
- Goodwill and intangible assets, net of associated deferred tax liabilities
- Unrealised capital gains and losses on cash flow hedging
- Deferred tax assets on tax loss carry forwards
- Deferred tax assets resulting from temporary differences beyond a threshold
- Any positive difference between expected losses on customer loans and receivables, risk-weighted using the standardised approach, and the sum of related value adjustments and collective impairment losses
- Expected loss on equity portfolio exposures
- Value adjustments resulting from the requirements of prudent valuation
- Investors' Compensation Fund ('ICF') & the additional cash buffer of ICF

Tier 2 Capital

Tier 2 capital includes:

- Dated subordinated notes
- Any positive difference between (i) the sum of value adjustments and collective impairment losses on customer loans and receivables exposures, risk-weighted

using the standardised approach and (ii) expected losses, up to 0.6% of the total credit risk-weighted assets using the Internal Ratings Based approach

- Value adjustments for general credit risk related to collective impairment losses on customer loans and receivables exposures, risk-weighted using the standardised approach, up to 1.25% of the total credit risk-weighted assets

Deductions of Tier 2 capital essentially apply to the following:

- Tier 2 hybrid treasury shares
- Holding of Tier 2 hybrid shares issued by financial sector entities
- Share of non-controlling interest in excess of the minimum capital requirement in the entities concerned

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

The solvency ratio is calculated by comparing the institutions' equity with the sum of risk-weighted assets for credit risk and the capital requirement multiplied by 12.5 for market risk and operational risk.

Since 1st January 2014, the new regulatory framework sets minimum requirements to be met for the CET1 ratio and the Tier 1 ratio. For 2015, the minimum requirement for CET1 was 4% and that of Tier 1 5.5%, excluding the Pillar II requirement. The total equity requirement, including CET1, AT1 and Tier 2 equity, was set at 8%. In 2016, the minimum requirement for CET1 was 4.5%, and that of Tier 1 6% with an overall ratio of 8% (including Tier 2).

In addition to the minimum requirements, CET1 and total Capital Requirements, full-scope investment firms are also expected to comply with a Capital Conservation Buffer (CCB). This buffer was introduced in 2016 and required full-scope companies to maintain additional capital of 0.625% of Total Risk Weighted Assets above the minimum requirements. The capital conservation buffer increased to 1.25% in 2017, then to 1.875% in 2018, and increased to 2.5% in 2019 onwards.

3.4. Capital Management

Capital management is implemented by the Senior Management. As part of managing its capital, the Company ensures that its solvency level is always compatible with the following objectives:

- Maintaining its financial solidity and respecting the Risk Appetite targets
- Preserving its financial flexibility to finance organic growth
- Adequate allocation of capital among the various business lines according to the Company's strategic objectives
- Maintaining the Company's resilience in the event of stress scenarios

- Meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders

The Company determines its internal solvency targets in accordance with these.

In line with the above, the Company is obligated to calculate and report on a quarterly basis (see section on Reporting and Control), under CRD, its credit risk, market risk and operational risk, the result of which, i.e. solvency/capital ratio, needs to be above 8% at all times (Calculated based on the section above) 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.

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its activities. 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 an institution-specific countercyclical capital buffer of 0%, resulting to an overall minimum of 10,50%. The buffers have to be met entirely out of Common Equity Tier 1 ("CET1") capital.

As at 31 December 2020, the Total Capital ratio of the Company was 16,02% with total risk-weighted assets of EUR 11.572 thousand.

Table 6: Capital Requirements €000

	Dec 31, 2020 (Audited)	Dec 31, 2019 (Audited)	2020 increase (decrease) from 2019	
			In €	In %
CAR Ratio	16,02%	11,61%	-	-
Capital Adequacy (CET1) ratio	16,02%	11,61%	-	-
CET1 Capital	1.853	1.609	244	15%
Tier 1 Capital	1.853	1.609	244	15%
Tier 2 Capital	-	-	-	-
Total Own Funds	1.853	1.609	244	15%
Credit Risk Capital Req.	153	174	-21	-12%
Market Risk Capital Req.	445	504	-59	-11%
Operational Risk Capital Req.	327	431	-104	-24%
Total Capital Requirements	926	1.109	-183	-16%

Table 7: Capital Base

Common Equity Tier 1 (CET1) Capital	31 December 2020 EUR '000
Share Capital	341
Share Premium	3.060
Retained earnings	-1.699
Audited income / (loss) for the year	248
(-) Investors Compensation Fund (contribution & 3 per thousand cash buffer)	-97
(-) Additional Valuation Adjustment	-1
Total Common Equity Tier 1 Capital	1.853

Table 8: Regulatory Capital

	Dec 31, 2020 (Audited)	Dec 31, 2019 (Audited)	In €	In %
Common Equity Tier 1 (CET 1) capital: instruments and reserves				
Capital instruments and the related share premium accounts	3.401	3.401	0	0.00%
Retained earnings	-1.446	-1.698	252	-14%
Accumulated other comprehensive income (loss), net of tax	-4	0	-4	-
Other	0	0		
Common Equity Tier 1 (CET 1) capital before regulatory adjustments	1.951	1.703	248	14%
Common Equity Tier 1 (CET 1) capital: regulatory adjustments				
Goodwill and other intangible assets (net of related tax liabilities) (negative amount)	0	0		-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities where the conditions in Art. 38 (3) CRR are met) (negative amount)	-	-		
Direct, indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 15 % threshold and net of eligible short positions) (negative amount)	-	-		
Other regulatory adjustments	-97	-94	-3	3%
Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital	-97	-94	-3	3%
Common Equity Tier 1 (CET 1) capital	1.853	1.609	244	15%
Additional Tier 1 Capital	0	0		
Tier 1 Capital	1.853	1.609	244	15%
Tier 2 Capital	0	0	0	
Total Capital	1.853	1.609	244	15%
Total risk-weighted assets	11.572	13.857	-2.285	-16%
Capital Ratios				
Common Equity Tier 1 (CET 1) capital ratio	16,02%	11,61%		
Tier 1 Capital ratio	16,02%	11,61%		
Total Capital ratio	16,02%	11,61%		

4. Credit Risk

Credit risk corresponds to the risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments.

The Company's credit risk mainly arises:

- By the Company's deposits in credit and financial institutions
- By assets mainly held from debtors or prepayments made

The Company follows the Standardized Approach under Pillar I for calculating its Credit Risk Capital Requirements, as specified in CRR. It categorizes the assets in respect to their exposure class and uses the Credit Step methodology to determine its respective Risk Weights (RW).

The Company follows both regulatory and compliance-oriented credit risk mitigation ("CRM") strategies in order to minimize the possibility of occurrence of this risk, such as:

- All Client funds are held in segregated accounts, separated from Company's funds
- The Company maintains regular credit review of counterparties, identifying the key risks faced and reports them to the Board of Directors, which then determines the firm's risk appetite and ensures that an appropriate amount of capital is maintained
- In order to maintain its Credit risk to the minimum, the Company uses EU credit institutions for safekeeping of funds and always ensures that the banks it cooperates with have high ratings based on reputable credit rating agencies (Moody's, S&P or Fitch). The company also frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently

Concentration Risk

Concentrations are measured using a standardised model and individual concentration limits are defined for large exposures. Any concentration limit breach is managed over time by reducing exposures.

4.1. 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 institutions
- Exposures to corporates

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

Credit Quality Step	Moody's Rating	Institution Risk Weight (Below 3 months)	Institution Risk Weight (Above 3 months)	Sovereigns Risk Weight	Corporate Risk Weight
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.

It should be noted that the external ratings are not taken into account where exceptions or discretions as per the CRR apply.

4.2. Quantitative Information

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

As at 31 December 2020, the Company's capital requirements for credit risk amounted to EUR 153 thousand (EUR 1.917 thousand total risk-weighted credit risk exposure). The tables below indicate the Company's credit risk exposure.

Table 9: Asset Class Breakdown of Net Credit Risk Exposure and Minimum Capital Requirement as at 31 December 2020, € 000

Asset Class	Net value of exposures at the end of the period	Minimum capital requirement
Central governments or central banks	-	-
Public sector entities	-	-
Institutions	260	21
Corporates	1.359	109
Items associated with particular high risk	14	1
Retail	-	-
<i>Of which: SMEs</i>	-	-
Equity exposures	-	-
Other exposures	283	23
Total risk weighted assets	1.917	153

Table 10: Total and average exposure in 2020, € 000

Asset Class	Total Exposure Value	Average Exposure
Central governments or central banks	-	-
Public sector entities	-	-
Institutions	1.289	1.197
Corporates	1.415	1.531
Items associated with particular high risk	9	13
Retail	-	-
<i>Of which: SMEs</i>	-	-
Equity exposures	-	-
Other exposures	287	292
Total risk weighted assets	3.000	3.033

Table 11: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Exposure Class, €000

Asset class	Exposure before CRM	Exposure After CRM
Central governments or central banks	-	-
Public sector entities	-	-
Institutions	1.289	1.289
Corporates	1.415	1.197
Items associated with particular high risk	9	9
Retail	-	-
<i>Of which: SMEs</i>	-	-
Equity exposures	-	-
Other exposures	287	287
Total Exposures	3.000	2.782

Table 12: Breakdown by CQS

Credit Quality Step	Exposure before CRM	Exposure After CRM
1	-	-
2	2	2
3	82	82
4	-	-
5	977	977
6	-	-
<i>Not applicable</i>	287	187
Unrated	1.652	1.434
Total	3.000	2.782

Table 13: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Significant Geographic Area and Material Exposure Class, € 000

Asset class	Cyprus	Latvia	Italy	Portugal	Switzerland	Other	Total
Central governments or central banks	-						-
Public sector entities	-						-
Institutions	980	40	45	15	171	38	1.289
Corporates	1.156	1	72	52		134	1.415
Items associated with particular high risk	-					9	9
Retail	-						-
Other exposures	287					-	287
Total	2.423	41	117	67	171	181	3.000

Table 14: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Industry and Exposure Class, € 000

Asset class	Financial Services	Non-Financial	Total
Central governments or central banks			-
Public sector entities			-
Institutions	1.289		1.289
Corporates	280	1.135	1.415
Items associated with particular high risk	9		9
Retail			-
Of which: SMEs			-
Equity exposures			-
Other exposures	-	187	287
Total	1.578	1.422	3.000

Table 15: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Residual Maturity and by Material Exposure Class, € 000

Asset class	Up to 3 months	More than 3 months	Total
Central governments or central banks	-		-
Public sector entities	-		-
Institutions	1.289		1.289
Corporates	259	1.156	1.415
Items associated with particular high risk	-	9	9
Retail	-		-
<i>Of which: SMEs</i>	-		-
Equity exposures	-		-
Other exposures	3	283	287
Total	1.551	1.449	3.000

4.3. Large Exposure

As at 31st December 2020, the Company's gross exposure to its directors was 4,32% of the Company's own funds, which exceeded the 1% large exposure limit for CIFs' exposures to their directors and their connecting persons set by point (c) of paragraph 61(1) of CySEC Directive 144-2014-14. Nevertheless, the Company's gross exposure did not exceed the 10% large exposure limit for CIFs' gross exposures to their directors and their connected persons set by point (b) of paragraph 61(1) of the aforementioned directive.

The aforementioned large exposure has been settled on 2 March 2021.

4.4. Credit Risk Mitigation and Counterparty Credit Risk

As at 31 December 2020, the Company was exposed to Counterparty Credit Risk through FX CFD, Gold CFD, Equity CFD, Crypto CFD and Commodity CFD positions with clients. The capital requirement for this risk was calculated using the Mark-to-Market approach. The positions were also secured by cash collaterals (i.e. the margins deposited by the clients in order to be able to conduct the trades), which were used to mitigate the final exposures based on the Simple Method for Credit Risk Mitigation.

Table 16: Counterparty Credit risk Breakdown per Derivative position €000

Derivative Type	Positive Fair Value	Negative Fair Value	Nominal Value	Exposure before CRM	Exposure after CRM	RWA	Cap.Requir.
FX Derivatives	26	288	9.029	117	10	90	7
Derivatives on Crypto	-	7	18	2	-	2	-
Derivatives on Gold	4	25	762	12	-	8	1
Derivatives on Precious Metals	2	5	279	22	8	20	2
Derivatives on Equity	21	126	1.180	92	20	71	6
Derivatives on Commodity	2	8	132	15	3	13	1
Total	56	459	11.401	259	41	203	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.

Table 17: Breakdown of funded and unfunded credit protection by asset class €000

Asset class	Funded Credit Protection	Unfunded Credit Protection
Central governments or central banks	-	-
Public sector entities	-	-
Institutions	-	-
Corporates	218	-
Items associated with particular high risk	-	-
Retail	-	-
<i>Of which: SMEs</i>	-	-
Equity exposures	-	-
Other exposures	-	-
Total	218	-

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.

4.5. Impairment

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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 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.

As at the end of December 2020, the Company didn't have any financial assets that were past due or impaired.

5. Market Risk

Market risk corresponds to the 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.

As mentioned above, in the context of Pillar I, market risk mainly arises as:

Position Risk: It refers to the probability of loss associated with a particular trading/security (long or short) position due to price changes.

Interest rate risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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.

The Company monitors these exposures on a quarterly basis and has policies to minimize its market risk exposures which are in accordance with the CRR.

5.1. Quantitative Information

The Company's capital requirements related to market risk are mainly determined using the standardized approach.

As at 31 December 2020, the Company's capital requirements for market risk was EUR 445 thousand. This was mainly derived by the firms open positions. Further breakdown of the Market Risk Capital Requirements are shown on the table below.

Table 18: Market Risk Capital Requirements €000

Components of Market Risk as at Dec 31,2020	Capital requirements
Foreign Exchange	300
Equity	93
Commodities	52
Total	445

6. Operational Risk

Operational risks (including accounting and environmental 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. This section describes the monitoring of the Company's operational risk, in addition to providing an analysis of the Company's operational risk profile and regulatory capital requirements.

The Company has developed processes, management tools and a control infrastructure to enhance the Company-wide control and management of the operational risks that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

In order to control the exposure to operational risks, the management has established two key objectives:

- To minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).
- To improve the effective management of the Company and strengthen its brand and external reputation.

The Company recognises that the control of operational risk is highly dependent on the effective and efficient management practices and high standards of corporate governance.

To that effect, the management of operational risk is geared towards:

- Maintaining a strong internal control governance framework.
- Managing operational risk exposures through a consistent set of processes that drive risk identification, assessment, control and monitoring.

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

- The development of operational risk awareness and culture
- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives
- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value

- Established a “four-eye” structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management. The Board further reviews any decisions made by the Management while monitoring their activities
- Detection methods are in place in order to detect fraudulent activities
- Comprehensive business contingency and disaster recovery plan

The Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. These specialized tools and methodologies assist operational risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management
- Training and awareness

6.1. Basic Indicator Approach

The Company applies the Basic Indicator Approach for calculating the amount of capital required, under the minimum regulatory capital requirements for Operational Risk. As at 31 December 2020, the minimum capital requirements under this approach amounted to €327 thousands.

Table 19: Operational risk capital requirements

Operational Risk	2018	2019	2020
	(€'000)	(€'000)	(€'000)
Revenue	2.674	1.083	2.764
Other operating income	124	-	-
Net finance income/(expenses)	161	- 217	- 41
Total	2.959	866	2.723
Average of 3 years	2.182		
Capital Requirements	327		
Risk Weighted Assets	4.092		

6.1. Pandemic Risk

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 period.

7. 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 31/12/2020, the Company held enough capital in its bank accounts, to meet its short-term obligations.

Furthermore, the Company is taking due care in safeguarding the client assets held in fiduciary capacity (in segregated accounts) and performs the following mitigation strategies:

- These assets are held by the Company in a fiduciary capacity and are not included in the Company's funds nor its financial statements
- The funds are held in client segregated bank accounts
- Frequent reconciliations are performed internally

8. Leverage

According to Article 429 of the CRR, the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposure measure and is expressed as a percentage. Institutions shall calculate the end-of-quarter leverage ratio.

The regulatory minimum requirement is 3% in which the company monitors closely. As at 31 December 2019, the leverage ratio of the Company was 61,78% using a fully phased in definition.

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

Table 20: Reconciliation of accounting assets and leverage ratio exposures €thousands

	Applicable Amounts
Total assets as per published financial statements	2.820
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	203
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	-23
Total leverage ratio exposure	3.000

Table 21: Breakdown of the exposure measure by exposure type € thousands

	CRR Leverage Ratio Exposures
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2.838
(Asset amounts deducted in determining Tier 1 capital)	-97
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	2.741
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	56
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	203
Total derivative exposures	259
Securities financing transaction exposures	
Total securities financing transaction exposures	0
Other off-balance sheet exposures	
Other off-balance sheet exposures	0
Capital and total exposures	
Tier 1 capital	1.853
Total leverage ratio exposures	3.000
Leverage ratio	61,78%

The Company monitors its Leverage Ratio on a quarterly basis and all appropriate measures are taken where deemed necessary.

The table below provides a breakdown of total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class.

Table 22: Breakdown of total on balance sheet exposures by asset class €thousands

	CRR Leverage Ratio Exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2.741
Trading book exposures	0
Banking book exposures, of which:	2,741
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
Institutions	1.289
Retail exposures	-
Corporate	1.156
Exposures in default	-
Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	296

9. Compliance, Reputational and Legal Risks

Compliance risk (including legal and tax risks) corresponds to the risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.

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.

Compliance System and Department

Independent compliance structures have been set up within the Company's different business lines around the world to identify and prevent any risks of non-compliance.

The Compliance Officer verifies that all compliance laws, regulations and principles applicable to the Company's services are observed, and that all staff respect codes of good conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational risk and provides expertise for the Company performs controls at the highest level and assists with the day-to-day operations. The Compliance Officer is responsible for:

- The Company's financial security (prevention of money laundering and terrorism financing; know-your-customer obligations; embargoes and financial sanctions)
- Developing and updating consistent standards for the function, promoting a compliance culture, coordinating employee training and managing Company regulatory projects
- Coordinating a compliance control mechanism within the Company (second-level controls), overseeing a normalised Compliance process, oversight of personnel operations and, finally, managing large IT projects for the function
- Preventing and managing conflicts of interest
- Proposing ethical rules to be followed by all Company employees
- Training and advising employees and raise their awareness of compliance issues
- Building and implementing steering and organisational tools for the function: Compliance and Reputational Risk dashboards, forums to share best practices, meetings of functional compliance officers
- Generally monitoring subjects likely to be harmful to the Company's reputation

9.1. Compliance Transformation Programme

In light with the changes arising from MiFID II, which came into force since January 1st, 2018, the Company launched a programme to transform and improve the Compliance function, in particular to raise the monitoring standards and better fulfil the increasing requirements of regulatory authorities.

Among other things, this programme strengthened governance and increased the resources made available to the function, both by recruiting additional resources and by investing in streamlining the Compliance function's existing IT applications and strengthening alert controls and management.

It targets the continued enhancement of priority functions, the central tools for monitoring regulatory application (including training, harmonisation, and regulatory oversight), financial security, constant oversight, customer protection, market integrity (including preventing conflicts of interest), and reporting quality.

9.2. Prevention of Money Laundering and Terrorism 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/involved in financing terrorism.

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.

10. Appendix

10.1 Appendix - Specific References to CRR

CRR Ref	High Level Summary	Compliance Reference
Scope of disclosure requirements		
431(1)	Requirement to publish Pillar III disclosures.	1.2
431(2)	Disclosure of operational risk information.	6
431(3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	1.1
431(4)	Explanation of ratings decisions to SMEs upon request.	N/A
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum, in conjunction with the date of publication of the financial statements.	1.2
Means of disclosures		
434(1)	To include disclosures in one appropriate medium, or provide clear cross-references to other media.	1.2
434(2)	Equivalent disclosures made under other requirements (i.e., accounting) can be used to satisfy Pillar III if appropriate.	1.2
Risk management objectives and policies		
435(1) (a)	Disclosure of information as regards strategies and processes, organisational structure of the relevant risk management function, reporting and measurement systems and risk mitigation/hedging policies	2, 4, 5 and 6
435(1) (b)		2, 4, 5 and 6
435(1) (c)		2, 4, 5 and 6
435(1) (d)		2, 4, 5 and 6
435(1) (e)	Declaration approved by the BoD on adequacy of risk management arrangements	Preface
435(1) (f)	Concise risk statement approved by the BoD	Preface
435(2)	Information, once a year at a minimum, on governance arrangements.	2
435(2) (a)	Number of directorships held by members of the BoD.	2.9
435(2) (b)	Recruitment policy of BoD members, their experience and expertise.	2.7
435(2) (c)	Policy on diversity of BoD members, its objectives and results against targets.	2.6
435(2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	2.5
435(2) (e)	Description of information flow on risk to BoD.	2.10

Scope of application		
436(a)	Name of institution.	1.1
436 (b)	Difference on the basis of consolidation for accounting and prudential purposes, naming entities that are:	N/A
436 (b) (i)	Fully consolidated;	N/A
436 (b) (ii)	Proportionally consolidated;	N/A
436 (b) (iii)	Deducted from own funds;	N/A
436 (b) (iv)	Neither consolidated nor deducted.	N/A
436 (c)	Impediments to transfer of funds between parent and subsidiaries.	N/A
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation and their names (if any).	N/A
436 (e)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries / entities.	N/A
Own Funds		
437 (1)	Requirements regarding capital resources table	3.4
437 (1)		3.4
437 (1) (a)		3.4
437 (1) (b)		3.4
437 (1) (c)		3.4
437 (1) (d) (i)		3.4
437 (1) (d) (ii)		3.4
437 (1) (d) (iii)		3.4
437 (1) (e)		3.4
437 (1) (f)		3.4
437(2)		EBA shall develop implementation standards for points (a), (b), (d) and (e) above
Capital Requirements		
438(a)	Summary of institution's approach to assessing adequacy of capital levels.	2.10
438(b)	Result of ICAAP on demand from competent authority.	2.3
438(c)	Capital requirement amounts for credit risk for each Standardised approach exposure class (8% of risk-weighted exposure).	4
438(d)	Capital requirements amounts for credit risk for each Internal Ratings Based approach exposure class.	N/A [4]
438(d) (i)		N/A [4]
438(d) (ii)		N/A [4]

438(d) (iii)		N/A [4]
438(d) (iv)		N/A [4]
438(e)	Capital requirements amount for market risk or settlement risk, or large exposures where they exceed limits.	5.1
438(f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	6.1
Exposure to counterparty credit risk (CCR)		
439(a)	Description of methodology to assign internal capital and credit limits for counterparty credit exposures.	N/A [4]
439(b)	Discussion of policies for securing collateral and establishing reserves.	N/A [4]
439(c)	Discussion of policies as regards wrong-way exposures.	N/A [4]
439(d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	N/A [4]
439(e)	Derivation of net derivative credit exposure.	N/A [4]
439(f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	N/A [4]
439(g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	N/A [4]
439(h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A [4]
439(i)	Estimation of alpha, if applicable.	N/A [4]
Credit Risk Adjustments		
442(a)	Definitions for accounting purposes of 'past due' and 'impaired'.	N/A [4.3]
442(b)	Approaches for calculating credit risk adjustments.	N/A
442(c)	Exposures post-value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by different types of exposures.	4.2
442(d)	Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by significant geographic areas and material exposure classes.	4.2
442(e)		4.2
442(f)	Exposures post value adjustments by residual maturity and by material exposure class.	4.2
442(g)		N/A [4.3]
442(g) (i)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	N/A [4.3]
442(g) (ii)		N/A [4.3]

442(g) (iii)		N/A [4.3]
442(h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	N/A [4.3]
442(i)	Reconciliation of changes in specific and general credit risk adjustments.	N/A
442(i) (i)		N/A
442(i) (ii)		N/A
442(i) (iii)		N/A
442(i) (iv)		N/A
442(i) (v)		N/A
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	N/A
Unencumbered assets		
443	Disclosures on unencumbered assets.	N/A
Use of ECAI's		
444(a)	Names of the nominated ECAs used in the calculation of Standardised approach RWAs, and reasons for any changes.	4.1
444(b)	Exposure classes associated with each ECAI.	4.1
444(c)	Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;	4.1
444(d)	Mapping of external rating to credit quality steps.	4.1
444(e)	Exposure values pre- and post-credit risk mitigation, by credit quality step.	4.1
Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	5
Operational Risk		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	6
Exposures in equities not included in the trading book		
447(a)	Differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used.	N/A [5.2, under market risk]
447(b)	Recorded at fair value and actual prices of exchange traded equity where it is materially different from fair value.	N/A
447(c)	Types, nature and amounts of the relevant classes of equity exposures.	N/A
447(d)	Cumulative realised gains and losses on sales in the period.	N/A

447(e)	Total unrealised gains or losses, latent revaluation gains or losses and amounts included in Tier 1 capital.	N/A
Exposure to interest rate risk on positions not included in the trading book		
448(a)	Nature of interest rate risk and key assumptions in measurement models.	N/A
448(b)	Variation in earnings, economic value, or other measures used from upward and downward shocks to interest rates, by currency.	N/A
Remuneration Disclosures		
450	Remuneration Policy	2.8
Leverage		
451(1) (a)	Leverage ratio and analysis of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	3.5
451(1) (b)		3.5
451(1) (c)		3.5
451(1) (d)	Description of the risk management process to mitigate excessive leverage and factors that had an impact on the leverage ratio during the year.	N/A
451(1) (e)		N/A
451(2)	EBA shall develop implementation standards for points above.	N/A
Use of Credit Risk mitigation techniques		
453(a)	Policies and processes, and an indication of the extent to which the CIF makes use of on- and off-balance sheet netting.	N/A
453(b)	Policies and processes for collateral valuation and management.	N/A
453(c)	Description of types of collateral used by the CIF.	N/A
453(d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A
453(e)	Information about market or credit risk concentrations within the credit mitigation taken.	N/A
453(f)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure value covered by eligible collateral.	N/A
453(g)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure covered by guarantees or credit derivatives.	N/A
Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	N/A

10.2 Appendix - Risk Statement

The Company's Risk Appetite remains the same as last year. The Company regularly monitors its Capital Adequacy Ratio, ensures that it is not lower than 11%, and considers the option to increase its capital in the case of acceptable increasing exposure (if the Board decides so). In terms of operational issues, the Company has a low appetite for risk. The Company makes resources available to control operational risks to acceptable levels. The Company recognizes that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. Acceptance of some risk is often necessary to foster innovation and efficiencies within business practices.

10.3 Appendix-Balance Sheet Description

Balance Sheet Description, as per published financial statements	Amounts (€'000)
Share capital	341
Share premium	3.060
Accumulated losses	-1.451
Total Equity as per published accounts	1.951
Regulatory adjustments	
(-) Investors Compensation Fund (contribution & 3 per thousand cash buffer)	-97
(-) Value adjustments due to the requirements for prudent valuation	-1
Regulatory own funds	1.853