

# ITrade Global (CY) Ltd

*Regulated by the Cyprus Securities and Exchange Commission License no. 298/16*

## **DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2020**

*February 2021*

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## 1. Introduction

The present report is prepared by ITrade Global (CY) Ltd (the “Company”), a Cypriot Investment Firm (CIF) authorized and regulated by the Cyprus Securities and Exchange Commission (CySEC, the Commission) under the license number 298/16 and operates within the provisions of 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 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 and it can be found on our website [www.tradefw.com](http://www.tradefw.com). Our regulator (CySEC) is responsible for implementing and enforcing the European Capital Requirements Directive (CRD), a capital adequacy framework which consists of three “Pillars”:

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

The 2020 Pillar III Disclosures Report sets out both quantitative and qualitative information required in accordance with Part 8 of the CRR, which set the requirements of the disclosures. Under Pillar III, the Company is required to publicly disclose information about the capital it holds and each material category of risk it faces, including the strategies and processes it has in place in order to manage and monitor these risks. Disclosures are made regarding the risks referred to under points 1 to 14 of Part 2, Annex XII, Part C of the Directive and in case that these are not

The Board of Directors (the “BoD”) 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 all risks identified and faced by the Company are properly measured, monitored and controlled to minimize any adverse outcome.

The Company’s business effectiveness is based on the guidelines of the risk management policies and procedures adopted by the company. The BoD, Internal Audit, Risk Manager, Compliance and Anti-

Money Laundering Officer (the “AML 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 various of risks and in particular to credit risk, market risk and operational risk. More information can be found in the sections below.

The Company is not preparing consolidated financial statements and is making the disclosures on an individual basis.

## 1.1. The Company

iTrade Global (CY) Ltd, as a CIF, operates within EU and offers Forex and CFDs trading whereas it is licensed to provide the following services:

### Investment Services

1. Reception and transmission of orders
2. Execution of orders on behalf of clients
3. Portfolio Management
4. Provision of Investment Advice

### Ancillary services

1. Safekeeping and administration of financial instruments
2. Granting credits or loans to one or more financial instruments
3. Foreign exchange services where these are connected to the provision of investment services
4. Investment research and financial analysis

The Company has a stable business model with well-balanced capital allocation between the Company’s operations and aims to achieve geographically balanced revenues by maintaining a diversified customer base.

The Company’s growth strategy focuses on its existing areas of expertise and aims for sustainable profitability which is consistent with its cost of capital and the balanced business model. To this end, the Company:

- Controls its capital ratio to ensure a significant safety margin relative to the minimum regulatory requirements
- Monitors the stability of its funding sources
- Ensures sufficient resilience in scenarios of liquidity shortages
- Tightly controls its foreign-exchange risks

The Company ensures that compliance procedures and policies are applied and specifically 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.

## 1.2. 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 as per the non-exhaustive list below:

- Law L.87(I)/2017 as amended by Law 44(I)/2020: Provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC – Capital Requirements Directive IV
- Directive DI144-2014-14: For the prudential supervision of Investment Firms
- Directive DI144-2014-15: On the discretions of CySEC arising from Regulation (EU) No. 575/2013

## 2. Governance and Risk Management

The aim of the Company's Risk Management function is to establish effective risk management policies and procedures that ensure compliance with legislative requirements. In particular, through the efficient implementation of these policies the Company will be able to identify the risks relating to its activities, processes and systems and, where appropriate, to set the level of risk the Company is prepared to bear and willing to undertake.

In addition, the risk management strategies and processes will facilitate the process of an on-going assessment and maintenance of the amounts, types and distribution of internal capital that the Company considers adequate to cover the level of risks to which it might be exposed.

This risk management policy is set and defined directly by the Board of Directors of the Company who has the full responsibility to update or amend it. The Board is also responsible for overseeing and approving the risk management strategy and policies, internal compliance and internal controls.

The Senior Management of the Company is required by the BoD to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management practices.

The process of risk manager, internal compliance and control includes:

- Identifying and assessing significant risks that might impact upon the achievement of the company's objectives.
- Developing risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and procedures.
- Monitoring the performance and improving the effectiveness of risk management procedures.

The Company's Risk Manager is Mr. Lee More and the Company does not operate a separate Risk Management Department due to the low level of its operations which eliminates the risks undertaken by the Company as this would have only increased the costs. It is however noted that the Company shall consider the implementation of a risk Management Committee when it is deemed to be

necessary and proportionate to its operations. The Senior Management in co-operation with the Company's Management and employees are responsible for the monitoring of the risks to which their respective departments are exposed to, and report to the Risk Manager who reports directly to the Board of Directors.

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

## 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. The Risk Appetite of the Company

The risk appetite may be defined as the risk the Company is willing to take while realising its objectives which may be expressed in the risk which may be assumed in order for the Company to achieve its objectives which are determined from time to time. To this effect, the risk appetite is in effect the tolerance the Company is willing to exercise in order to realise its business plan. Taking into consideration the associated risks which are inherent the BoD and Management of the Company ensure that all necessary measures are undertaken in order to mitigate any potential risks.

## 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.

As the Company conducted operations within 2020 it has concluded its ICAAP required under Pillar II of Basel III and its local implementation in Cyprus, through risk management and governance framework, methodologies, processes and infrastructure.

## 2.4 Diversity of the Board of Directors

The Company takes all necessary steps and measures to promote diversity on the management body and its members. The aim of the Company is to engage a broad set of qualities and competences when recruiting members of the management body in order to achieve a variety of view and experiences and to facilitate independent opinion and sound decision-making. During the recruitment the Company takes into account, amongst others, education and professional background, gender, age and geographical provenance. To this effect the Company shall act in accordance with the Suitability Policy on the Assessment of the Members of the Management Body and Key Functions Holders.

## 2.5. 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 of reviewing the qualifications of potential Director candidates and make recommendations to the BoD.

The persons proposed for the appointment should have specialized skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to duly 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 selection of newly appointed members to the BoD of the Company shall be performed according to the provisions of the Suitability Policy of the Company on the Assessment of members of the Management Body and Key functions Holders.

## 2.6. Remuneration Systems

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 DI144-2014-14.

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 BoD 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 1: Aggregate Quantitative Information on Remuneration

<i>Figures in EUR '000</i>	<b>No. of staff</b>	<b>Fixed</b>	<b>Variable</b>	<b>Non-cash</b>	<b>Total</b>
<b>Senior Management and Directors</b>	3	95	-	-	95
<b>Grand Total</b>		95	-	-	95

## 2.7. 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. The Executive or Non-Executive directorships held within the same group, are considered as a single directorship.



Table 2: Directorships held by Members of the Management Body in 2020

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Yiannos Christofi	Executive Director	1	-
Lee Ron More	Executive Director	1	-
Elif Kundakci	Executive Director	1	
Charis Charalambides	Independent Non – Executive Director	1	1
Tatiana Kyriakidou	Independent Non – Executive Director	-	1

## 2.8. 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 3: Periodic Reporting Summary

Report Name	Report Description	Owner	Recipient	Frequency	Due Date
<b>Anti-Money Laundering Compliance Report</b>	To inform the Senior Management & the BoD of the Company regarding anti-money laundering measures and practices	AMLCO	BoD, CySEC	Annual	<b>30/03/2021</b>
<b>Annual Compliance Report</b>	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	<b>30/04/2021</b>
<b>Annual Internal Audit Report</b>	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	<b>30/04/2021</b>
<b>Annual Risk Management Report</b>	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager	BoD, CySEC	Annual	<b>30/04/2021</b>
<b>Pillar III Disclosures (Market Discipline and Disclosure)</b>	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy and risk exposures	Risk Manager	BoD, CySEC, Public	Annual	<b>30/05/2021</b>
<b>Financial Reporting</b>	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	<b>30/04/2021</b>

<b>Capital Adequacy Reporting</b>	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote the stability and efficiency of financial systems all over the world	Risk Manager / Accounting	Senior Management, CySEC	Quarterly	11/05/2020 11/08/2020 11/11/2020 11/02/2021
<b>Suitability and Eligible Funds Report</b>	A report on the adequacy of arrangements established by the CIF in relation to clients' funds and financial instruments	External Auditor	BoD, CySEC	Annual	30/4/2021

### 3. Capital Management and Adequacy

#### 3.1. Regulatory Capital

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

#### **Common Equity Tier 1 Capital (CET1 Capital)**

According to 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

#### **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.

Tier 2 capital shall be less or equal to one third of Tier 1 Capital.

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.

### 3.2. Solvency Ratio (Capital Ratio or Capital Adequacy Ratio)

The Capital Adequacy Ratio is set by comparing the company's 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.

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 was 6% with an overall ratio of 8% (including Tier 2).

### 3.3. 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 strength taking into account associated risk
- Preserving its financial ability to finance organic growth
- Allocating 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: regulators and shareholder

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, under CRD, its credit risk, market risk and fixed overhead requirements (the capital requirement for the Company is calculated as the higher of total fixed overhead requirement and the sum of the total credit risk and market risk requirements) the result of which, i.e. solvency/capital ratio, needs to be above 8% (Calculated based on the section above) at all times.

At 31st December 2020, the Total Capital ratio of the Company was 86.77% with total risk-weighted assets of EUR 2,441,067.

*Table 4: Capital Requirements*

Pillar I results	31 December 2020
	<b>€ '000</b>
Core Equity Tier 1 (CET 1)	2,118
Additional Tier 1 Capital (AT 1)	-
Total Tier 1 Capital	2,118
Tier 2	-
Total Own Funds	2,118
<b>Risk Weighted Assets</b>	
Credit Risk	1,441
Market Risk	87
Additional Fixed Overhead	913
<b>Total Risk Exposure Amount</b>	2,441
<b>Total Capital Requirement</b>	195
<b>CET1 Capital Ratio</b>	86.77%
<b>T1 Capital Ratio</b>	86.77%
<b>Total Capital Ratio</b>	86.77%

Table 5: Capital Structure

	31 December 2020
	€ '000
<b>Total Equity as per Financial Statements</b>	
Share Capital	5
Share Premium	1052
Reserves	1124
Intangible Assets	-
Investor Compensation Fund	(63)
<b>Total Common Equity Tier 1</b>	<b>2118</b>
Additional Tier 1 Capital	-
<b>Total Tier 1 Capital</b>	<b>1432</b>
Tier 2 (Loan)	-
<b>Total Own Funds</b>	<b>2181</b>

#### 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 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 is using EU credit institution for safekeeping of funds and always ensures that the banks it cooperates with have high ratings based on credit rating agency.

##### 4.1.. Concentration Risk

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

## 4.2. 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.

## 4.3. Quantitative Information

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

At 31st December 2020, the Company's capital usage for credit risk amounted to EUR 115,312 while the risk weighted assets amounted to EUR 1,441,395 . The tables below indicate the Company's credit risk exposure.

Table 7: Credit Risk Exposure by exposure class as at 31 December 2020, in € thousands

Asset Class	Net value of exposures at the end of the period	Minimum capital requirement
	€ '000	€ '000
<b>Exposure Class</b>		
Institutions	1,078	86
Corporates	22	2
Other Items	341	27
<b>Total</b>	<b>1,441</b>	<b>115</b>

## 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 through:

*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 daily basis and has policies to minimize its market risk exposures which are in accordance with the CRR.

In 2020, the Company was not exposed to market risk. As per Article 351 of the EU Regulation 575/2013 if the Company's FX Exposure does not exceed the 2% of its Own Funds the Company is not exposed to Foreign Exchange Risk.

## 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 minimize 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 recognizes that the control of operational risk is directly related to 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, at 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;
- Internal Audit function in place to detect fraudulent activities;
- Comprehensive Business Continuity 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
- Business Continuity Management
- Training and awareness



## 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 sets and controls budget targets in terms of liquidity

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 **EUR160,391** in its bank accounts.

Furthermore, the client assets held in fiduciary capacity (in segregated accounts) were **EUR 4,446,712**. The Company is taking due care in safeguarding these assets 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 and also from the External Auditors which also are tasked to verify and submit to CySEC annual reports

## 8. 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.

### 8.1. Compliance System and Department

Independent compliance department has been set up within the Company 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)
- 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 normalized Compliance process, oversight of personnel operations and, finally, managing large IT projects for the function
- Preventing and managing conflicts of interest
- Training and advising employees and raise their awareness of compliance issues

### 8.2. 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/be 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.