

Pillar III Disclosures

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

YEAR ENDED 31 DECEMBER 2020

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	broken down into pay bands of EUR 1 million	
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1. INTRODUCTION

1.1. Company Information

The purpose of this document is to disclose information in accordance with the scope of application of the Capital Requirements Directive IV (CRD IV) requirements for Wonderinterest Trading Ltd (hereinafter, the ‘Company’).

The Company was incorporated in the Republic of Cyprus on 29 May 2015 as a private limited liability company with registration number HE 332830 and it is a Cyprus Investment Firm (hereinafter “CIF”). The Company was licensed by the Cyprus Securities and Exchange Commission (hereinafter the “CySEC”) with number CIF 307/16 to provide financial services on 09 August 2016 and the licence was activated on 07 August 2017.

Moreover, pursuant to the Regulation (EU) 575/2013 (the “Regulation” or “CRR”), the Company’s minimum/initial capital requirement is €50,000.

1.2. Scope of application

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

The Company reviewed its Group structure as at 30 June 2019 as per CySEC’s Dear CEO letter and the relevant provisions as stipulated in CySEC’s Directive DI144-2014-14 & DI144-2014-14(A) (the “Directive”) and CRR and reached to the conclusion that the Company does not fall under consolidated supervision by CySEC. In this respect, the Company is publishing the disclosures on a solo basis.

The report is based on the Annual Audited Financial Statements which are prepared in accordance with IFRS and the provisions of the Cyprus Company Law, Cap. 113.

1.3. Pillar III Regulatory framework

1.3.1. Overview

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

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

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

- **Pillar I** - Establishes minimum capital requirements, defines eligible capital instruments, and prescribes rules for calculating RWA for credit risk, market risk and operational risk.
- **Pillar II** - Requires firms and supervisors to take a view on whether a firm should hold additional capital against: risks considered under Pillar I that are not fully captured by the Pillar I process (e.g. credit concentration risk), risks not taken into account by the Pillar I process (e.g. interest rate risk in the banking book, business and strategic risk) and factors external to the firm (e.g. business cycle effects). Pillar II connects the regulatory capital requirements to the Internal Capital Adequacy Assessment Process (“ICAAP”) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and institutions on a continuous basis and to evaluate how well the institutions are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.
- **Pillar III** - Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of original own funds.

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

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

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

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

- Regarding the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the

extent to which these objectives and targets have been achieved (Article 435 (2) (c) of CRR).

- Own funds (Article 437 of CRR).
- Remuneration policy (Article 450 of CRR).

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

Disclosures and Confidential Information

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

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

Frequency

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

Medium and location of publication

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

<https://www.wonderinterest.com/regulations>

Verification

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

1.4. Risk management objectives and policies

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

First Line of Defence: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with policies and

where appropriate defined thresholds. First Line of Defence acts as an early warning mechanism for identifying (or remedying) risks or failures.

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

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

The Three Lines of Defense Model



1.4.1. Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment requires a strong risk management culture. As a result, the Company has established an

effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

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

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

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

1.4.2. Risk Statement

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

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

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

Risk Strategy

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

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

Risk Appetite

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

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

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

Table 1: Risk Appetite areas

Capital Indicator	Normal	Warning	Limit
Regulatory Capital – CET 1 Ratio	≥36.85%	<36.85%	4.50%
Regulatory Capital Tier 1 Ratio	≥38.35%	<38.35%	6.00%
Regulatory Capital – Total Capital Ratio	≥40.35%	<40.35%	8.00%
Own Funds	≥€85k	<€85k	€75k
Exposures with Shareholders	0%	>0%	2.00%
Exposures with Directors	0%	>0%	1.00%

The Risk Appetite framework has been designed to create links to the strategic long term plan, capital planning and the risk management framework. The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICAAP. The Company employs mitigation techniques defined within the policies, to ensure risks are managed within Risk Appetite.

1.4.2. Risk Culture

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

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

Policy Statement on launching a Temporary Permission Regime for the provision of Investment Services to professional clients and eligible counterparties based in Cyprus, by UK firms (PS-02-2020)

CySEC issued on 22 December 2020 Policy Statement II in order to inform the market about the launch of a temporary permission regime for the provision of investment services to professional clients and eligible counterparties based in Cyprus by UK firms.

Following UK's leave from the European Union on 31 January 2020, a transitional period entered into force until 31 December 2020 where during this period cross-border provision of Investment services and activities ('MIFID Passport') is still possible to or from the UK. However, following the expiration of the Transitional Period the so-called 'MiFID passport' will cease to apply and the UK Firms will be considered as third-country firms.

Therefore, UK entities which wishes to continue offer investment services in Cyprus to Professional Clients and Eligible Counterparties are requested to submit the relevant notification as per the Annex I of the PS-02-2020 to CySEC via email by 31 December 2020. Moreover, the Temporary Permission Regime will be terminated on 31 December 2021 and as such UK firms who provide investments services on the basis of the Temporary Permission Regime and who wish to continue soliciting Professional Clients and Eligible Counterparties based in Cyprus, they will need to establish at least a Branch unless an equivalence decision is taken by the EC.

1.4.3. Upcoming Regulatory Changes – IFR & IFD

The European Parliament on 16 April 2019 has adopted a new, comprehensive regulatory regime for investment firms: the Investment Firm Directive ("IFD") and Investment Firm Regulation ("IFR") are intended to replace the existing applicable regulation for investment firms.

While small and "non-interconnected" firms in particular will benefit from less regulation, the legislation for "systemically relevant" investment firms means no less than equal treatment with credit institutions in the sense of a level playing field – accordingly, they will fall entirely under

the previous regulatory framework (i.e. CRR). As a result, all other investment firms will no longer be subject to the CRD/CRR framework, which is primarily intended for banks.

The new regulatory regime applies to ALL investment firms authorised and supervised under the MiFID II. The main regulatory changes in the prudential framework by IFR and IFD:

- a) New Classification of Investment Firms
- b) Initial Capital Requirement and Composition
- c) Capital Requirements (K-Factors)
- d) Concentration Risk Requirement
- e) Liquidity Requirements
- f) Disclosures Requirements
- g) Reporting Requirements
- h) Other Supervisory Requirements

According to the new prudential regulatory framework the Initial Capital Requirements and classification for investment firms will be amended. Specifically, investment firms will be classified into three different categories (Class 1, Class 2 and Class 3) based on their size and business operations. Moreover, the initial capital requirements will be amended (€750k, €150k and €75k) and it will be decided based on the investment services an entity is authorised to offer.

Further to the above, the regulatory capital ratio requirements will not be applicable anymore and investment firms will be requested to comply with the following at all times:

- a) CET 1 should constitute at least 56% of capital requirements;
- b) Tier 1 should constitute at least 75% of capital requirements;
- c) Tier 1 and Tier 2 should constitute at least 100% of capital requirements

CET1, Tier 1 and Tier 2 will be calculated in accordance with the eligibility criteria of the capital instruments as per the provisions of the CRR.

As regards the capital requirements calculation, Class 1 Investment Firms will continue calculate their overall capital requirements in accordance with the provisions of the existing regulation. However, Class 2 Investment Firms will be requested to maintain own funds of at least the higher between a) Initial Capital, b) K-Factors requirement and c) Fixed Overheads requirement while Class 3 Investment Firms' capital requirements will be calculated as the higher between only a) Initial Capital and b) Fixed Overheads requirement.

K-factors methodology which is applicable for Class 2 Investment Firms will replace the current credit risk, market risk and operational risk approach in order to calibrate the capital needed to meet the risks of the investment firm. Class 3 firms are not required to calculate their capital based on the K-factor formula while they need to calculate the K-factors for categorisation purposes.

Capital requirement from applying K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Customer (RtC), Risk to Market (RtM) and Risk to Firm (RtF). The K-Factors are calculated as shown below:

Risk to Client (RtC)	Risk to Market (RtM)	Risk to Firm (RtF)
<p>Sum of</p> <ul style="list-style-type: none"> • K-AUM: Assets Under Management • K-ASA: Client Assets Safeguarded and Administered • K-CMH: Client Money Held • K-COH: Client Orders Handled 	<p>Higher of:</p> <ul style="list-style-type: none"> • K-NPR: Net Position Risk (calculated in accordance to CRR) or • K-CMG: Clearing Member Guarantee 	<p>Sum of:</p> <ul style="list-style-type: none"> • K-TCD: Trading Counterparty Default • K-CON: Concentration risk based on large exposures • K-DTF: Operational risks from Daily Trading Flow

The Factors relate to the volume of activity. The volumes should be multiplied by the corresponding coefficients set out in IFR in order to determine the own fund requirement.

Further to the above, the Company has already assessed the requirements under the new prudential regulatory framework and concluded that it will be classified as Class 3 Investment Firm and as such it will be requested to maintain own funds of at least the higher between a) the initial capital requirement and b) Fixed Overheads requirement.

Circular C426 - Updates for the new prudential framework of Investment Firms (IFR/IFD)

CySEC continuously updates all CIFs about the EBA actions regarding the implementation of the new prudential regulatory framework IFR/IFD. On 02 February 2021, CySEC issued Circular C426 to provide CIFs with the latest updates regarding the following matters:

- a) Seven (7) Final draft technical standards regarding IFR/IFD
- b) Reporting and disclosures requirements under IFR/IFD
- c) Launch of Consultation Papers and Public hearing by the EBA
- d) Next actions to be taken by CIFs.

The Company has already proceeded with an impact assessment on its capital adequacy and risk management procedures, systems and controls on a solo and consolidated level to ensure compliance with the above regulatory amendments by 26 June 2021.

1.5. Declaration of the Management Body

The Management Body is required to proceed with an annual declaration on the adequacy of the Company`s risk management framework and ensure that the risk management

arrangements and systems of financial and internal control in place are in line with the Company`s risk profile.

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

2. CORPORATE GOVERNANCE

The systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness. The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

2.1. The Board of Directors

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

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

2.2. Number of Directorships held by members of the Board

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

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

Furthermore, directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations shall not count for the purposes of the above guidelines. The table below discloses the number of directorships held by members of the management body in entities of the Company as at 31 December 2020.

Table 2: Number of Directorships held

Director	Position	Executive Directorships	Non-Executive Directorships
Evroula Papadopoulou	Executive Director	1	0
Constantinos Theodorou	Executive Director	1	0
Michal Ait Amer Meziane	Non-Executive Director	1	1
Stathis Kyriakides	Independent non-executive Director	1	1
Georgios Stylianou	Independent non-executive Director	1	2

For the purposes of the above, Executive or non-executive directorships held within the same group shall count as a single directorship.

2.3. Policy on Recruitment

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

2.4. Policy on Diversity

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

2.5. Policy on Information flow on risk to the management body

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

Table 3: Information flow on risk to management body

	Report Name	Owner of Report	Recipient	Frequency
1	Risk Management Report	Risk Manager	Senior Management, Board, CySEC	Annually
2	Pillar I – CRDIV CoRep Forms	Risk Manager	Senior Management, Board, CySEC	Quarterly
3	ICAAP (Pillar 2) Report	Risk Manager	Senior Management, Board	Annually
4	Pillar 3 Disclosures	Risk Manager	Senior Management, Board	Annually
5	Risk Register	Risk Manager	Senior Management, Board	Annually
6	Compliance Report	Compliance Officer	Senior Management, Board, CySEC	Annually
7	Internal Audit Report	Internal Auditor	Senior Management, Board, CySEC	Annually
8	Anti-money laundering (AMLCO) Report	Anti-money laundering officer	Senior Management, Board, CySEC	Annually
9	Audited Financial Statements	External Auditor	Senior Management, Board, CySEC	Annually
10	Form 144-14-11 ‘Prudential Supervision Information’	Risk Manager	Senior Management, Board, CySEC	Annually

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

3. OWN FUNDS

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

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

3.1. Tier 1 & Tier 2 Regulatory Capital

Institutions shall disclose information relating to their own funds. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the institution.

The Company's regulatory capital comprises CET1 capital. The composition of the capital base and capital ratios of the Company and its subsidiary are shown in the following table:

Table 4: Composition of the capital base and capital ratios

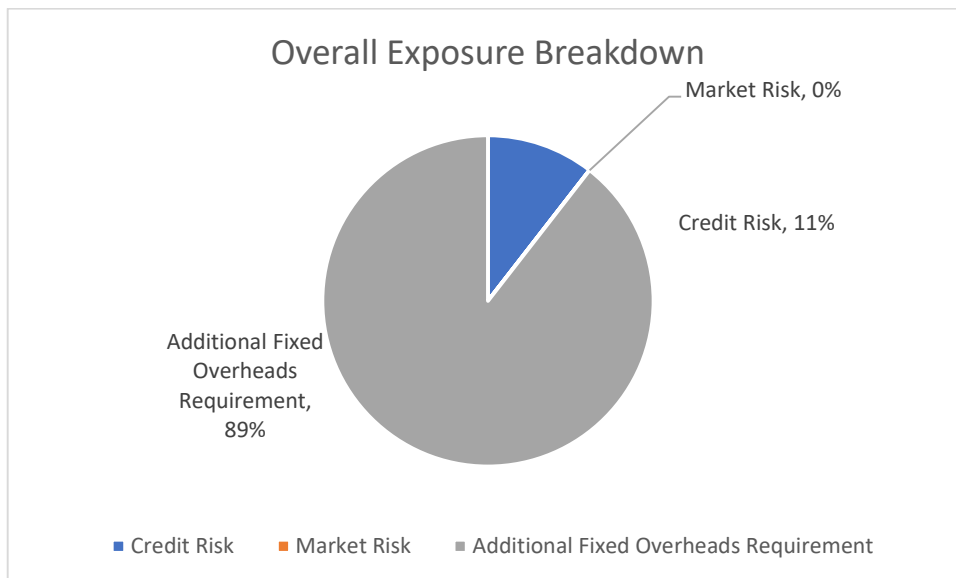
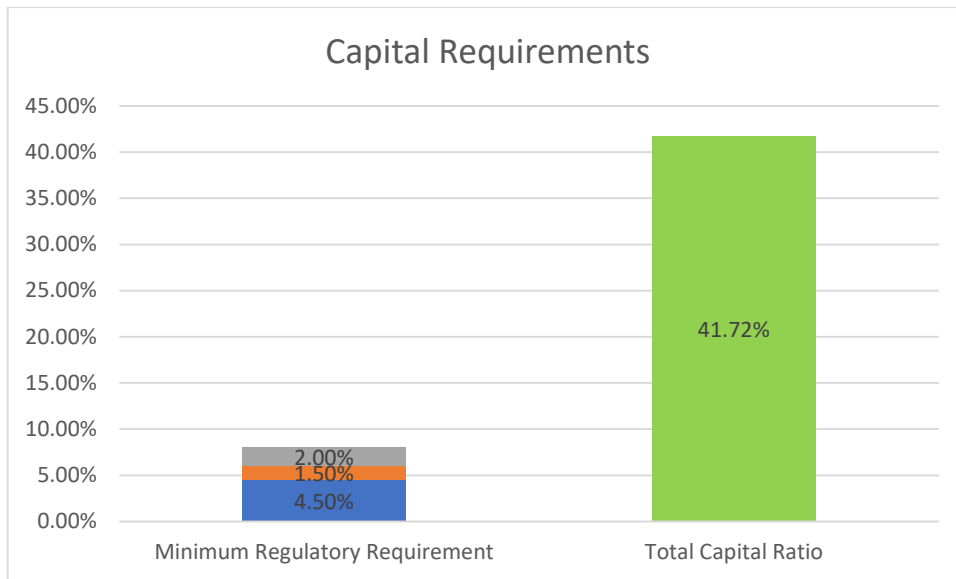
	Wonderinterest Trading Ltd (Solo)
	€000
CET1 capital before regulatory adjustments	
Capital instruments and the related share premium accounts	532
Retained earnings	(732)
Other Reserves	299
CET1 capital: regulatory adjustments	
Intangible assets	-
Additional deductions of CET1 Capital due to Article 3 of the CRR (*)	(14)
CET1 capital	85
AT1 capital	-
T1 = CET1 + AT1	85
Tier 2 (T2) capital	-

Total capital (TC = T1 + T2)	85
Risk weighted assets	
Credit risk	21
Market risk	-
Additional risk exposure amount due to fixed overheads**	182
Total Risk Weighted Assets	204
Capital Ratios and Buffers	
Common Equity Tier 1	41.72%
Tier 1	41.72%
Total Capital	41.72%

**Treatment pursuant to Circular CI62 (Capital adequacy requirements - Change in the treatment of the Investors Compensation Fund (“ICF”) Contribution) on 10 October 2016, according to which the contribution to ICF will no longer be risk weighted as an “exposure to public sector entities” pursuant to paragraph 13(3) of Directive DII44-2014-15. The said ICF exposure will be deducted from CET1 Capital pursuant to Article 3 (Application of stricter requirements by institutions) of the CRR. The aforementioned Article gives the member states the power to request from the institutions to hold own funds in excess of those required by the CRR. Moreover, according to the Circular C334 (Treatment of the additional cash buffer of Investors Compensation Fund (‘ICF’) in the own funds calculation), CIFs should deduct the additional Cash Buffer of 3 per thousand of the eligible funds and financial instruments of their clients as at the previous year calculated according to paragraph 11(6) of the Directive DI87-07 (operation of the ICF).*

***Based on the solo Audited Financial Statements for the year 2020.*

The figures below illustrate the capital adequacy requirements for the Company and the Company`s total exposures breakdown for the year 2020.



Further to the above and in light of the upcoming amendments to the prudential regulatory framework (IFR/IFD), the Company has concluded that the Company will be categorised as a Class 3 Investment firm and as such its total capital requirement will be the higher of:

- a) Fixed Overheads Requirement (is calculated as 25% of Fixed Overheads of the preceding year)
- b) Minimum Initial Capital of €75k (since is not authorised to provide the investment service of “Dealing on Own account”)

In this respect, the Company has already assessed its capital adequacy position taking into consideration the above new methodology in order to ensure that the appropriate actions will be taken to ensure compliance with the new prudential requirements.

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

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

Table 5: Main features of capital instruments

Capital Instruments Main Feature	Common Equity Tier 1
Issuer	Wonderinterest Trading Ltd
Regulatory Treatment	
Eligible at Solo/(sub-) consolidated/solo	Solo
Instrument type	Common Equity
Amount recognized in regulatory capital	€532k
Accounting classification	Shareholders' Equity
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	N/A
Coupons / dividends	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	N/A

3.3. Balance Sheet Reconciliation

The following table provides a reconciliation of own funds between the balance sheet, as presented in the Management Accounts of the Company, and the financial position of the Company prepared for regulatory purposes.

Table 6: Balance Sheet Reconciliation

Equity	Wonderinterest Trading Ltd (Solo)
	€000
Share Capital	532
Retained earnings	(732)

Other reserves	299
Total Equity	99
Regulatory Deductions	
Intangible Assets	(-)
Additional deductions of CET1 Capital due to Article 3 of the CRR	(14)
Total Own funds as per the CoRep Forms	85

4. COMPLIANCE WITH THE REGULATION AND THE OVERALL PILLAR II RULE

4.1. Internal Capital

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

4.2. Approach to assessing adequacy of Internal Capital

The Company has adopted the Pillar I plus approach whereby it determines the minimum capital required under Pillar I methodology and subsequently incorporates in that methodology the risks that are either not covered or are partially covered by Pillar I. Initially an assessment is made on the general financial position of the Company both from its financial statements and its Capital Adequacy Returns.

The Pillar I variable capital requirement is the sum of the credit risk and market risk requirements and the operational risk. In order to validate the adequacy of the above requirements under the Pillar I calculations, the ICAAP proceeds with the following individual tests:

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

The Company operates a fully integrated ICAAP process throughout the year that rolls into the final ICAAP assessment. The Company also performs monthly key risk assessments supported by periodic stress testing. The ICAAP process considers all of the risks faced by the Company, the likely impact of them if they were to occur, how these risks can be mitigated and the amount of capital that it is prudent to hold against them both currently and in the future.

The ICAAP Report describes how the Company implemented and embedded its ICAAP within its business. The ICAAP also describes the Company's Risk Management framework e.g. the

Company`s risk profile and the extent of risk appetite, the risk management limits if any, as well as the adequate capital to be held against all the risks (including risks other than the Pillar I risks) faced by the Company.

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

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

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

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

Further to the above and upon implementation of the new prudential framework (IFR/IFD), the ICAAP report (ICARA) will be reviewed and updated in accordance with the new requirements.

5. PILLAR I CAPITAL REQUIREMENTS

The following sections show the overall Pillar I minimum capital requirement and risk weighted assets for the Company under the Standardised Approach to Credit Risk, Market Risk and the Fixed Overheads requirements.

5.1. Credit Risk

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

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

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

IFRS 9 Impairment

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

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

5.1.1. Credit Risk Adjustments

The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

5.1.2. Credit Risk – Risk Weighted Assets

The minimum capital requirement for Credit risk is calculated by exposure using a factor of 8%. The following table shows the risk-weighted exposure amounts and the corresponding minimum capital requirements as at 31 December 2020 for the Company broken down by exposure class.

Table 7: Exposure classes as at 31 December 2020

Exposure class	Risk Weighted Assets	Capital Requirements
	€000	€000
Institutions	18	1

Corporates	-	-
Retail	-	-
Other Items	3	0
Total	21	2

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



5.1.3. Credit Risk – Risk Weighted Assets by Geographical distribution of the exposure classes

The Company shall disclose the geographical distribution of the exposures, broken down in significant areas by material exposures classes. The geographical distribution of the exposure classes are as follows:

Table 8: Geographical distribution of the exposure classes

Exposure class	Cyprus €000	Total €000
Institutions	18	18

Corporates	-	-
Retail	-	-
Other Items	3	3
Total	21	21

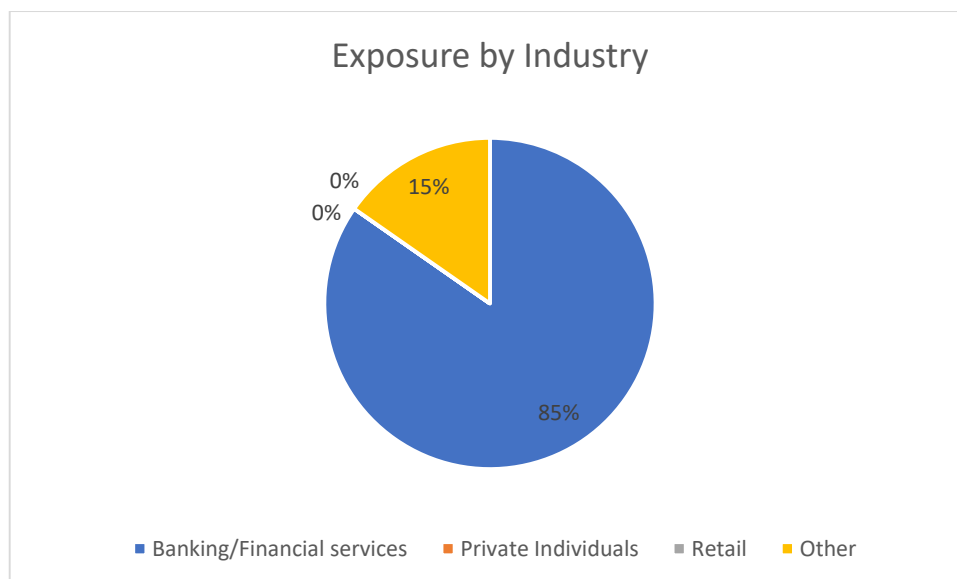
The Regulation requires disclosure for additional asset classes. These have not been shown in the table above as these are nil as at the reporting period.

5.1.4. Credit Risk – Distribution of exposures by industry

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

Table 9: Exposures by industry

Exposure class	Banking/Financial services €000	Private Individuals €000	Other €000	Total €000
Institutions	18	-	-	18
Corporates	-	-	-	-
Retail	-	-	-	-
Other Items	-	-	3	3
Total	18	-	3	21

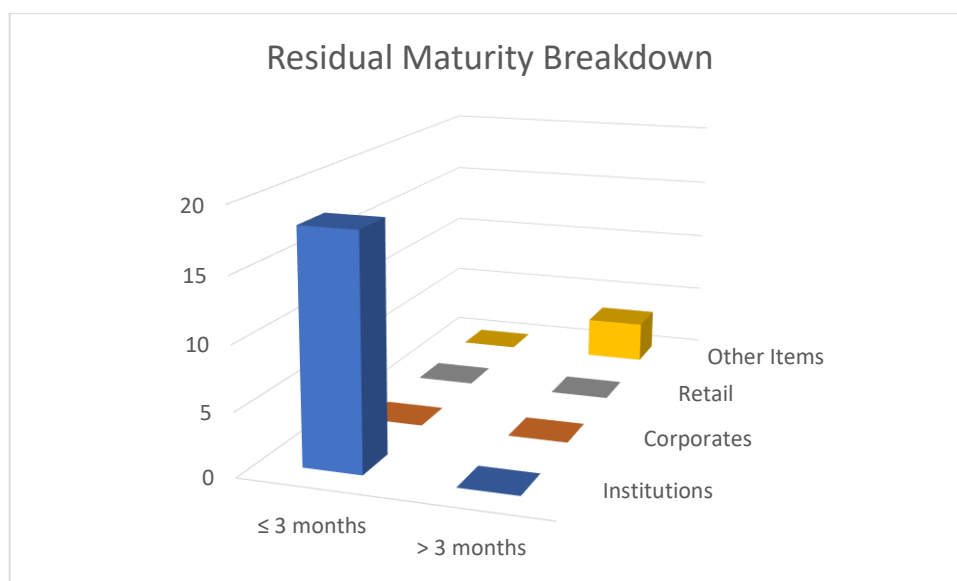


5.1.4. Residual maturity broken down by exposure classes

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

Table 10: Residual maturity broken down by exposure class

Exposure class	Residual Maturity ≤ 3 months €000	Residual Maturity > 3 months €000	Total €000
Institutions	18	-	18
Corporates	-	-	-
Retail	-	-	-
Other Items	-	3	3
Total	18	3	21



5.2. Use of ECAIs

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

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

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

Exposures to unrated institutions are assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated, as specified in Article 121 of CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions could receive a favourable risk weight of 20% if specific conditions are met. The Other Items category includes tangible assets and prepayments risk weighted at 100% and cash items risk weighted at 0%.

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

Table 11: Breakdown of exposures by asset class and risk weight under the Standardised approach

Exposure Class	Risk Weight				Total	Of which unrated
	0%	20%	75%	100%		
	€000	€000	€000	€000		
Institutions	-	91	-	-	91	-
Corporates	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Other Items	0	-	-	3	3	3
Total	0	91	-	3	94	3

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

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

Table 12: Exposures before and after credit risk mitigation as at 31 December 2020

Credit Quality Step	Exposure values before credit risk mitigation	Exposure values after credit risk mitigation
	€000	€000
CQS 1	-	-
CQS 4	91	91

Unrated	3	3
Total	94	94

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

5.3. Market Risk

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

As a “Limited Licence”, the Company does not deal for its own account. Market risk is therefore limited to movements in foreign exchange rates.

5.3.1. Foreign Exchange Risk

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

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

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

The Company’s did not have any foreign exchange risk capital requirement as there was no net foreign exchange exposure as at 31 December 2020.

Closely Correlated Currencies

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

The Company’s positions in non-reporting currencies and gold for the period were zero.

5.3.2. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company’s income and operating cash flows are substantially independent of changes in market interest rates. Other than cash at bank, which attracts interest

at normal commercial rates, the Company has no other significant interest bearing financial assets or liabilities. The Company`s management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

5.4. Operational Risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide range of issues. The following list presents some event-type categories, included in operational risk, with some examples for each category:

Internal Fraud

- misappropriation of assets;
- tax evasion;
- intentional mismarking of positions;
- bribery.

External Fraud

- theft of information;
- hacking damage;
- third-party theft;
- forgery.

Employment Practices and Workplace Safety

- discrimination;
- workers compensation;
- employee health;
- safety.

Clients, Products, & Business Practice

- market manipulation;
- antitrust;
- improper trade;
- product defects;
- fiduciary breaches;
- account churning.

Damage to physical assets

- damage to physical assets from a natural disaster, e.g. earthquake.

Business Disruption & Systems Failures

- utility disruptions;
- software failures;
- hardware failures.

Execution, Delivery, & Process Management

- data entry errors;
- accounting errors;
- failed mandatory reporting;
- negligent loss of Client assets.

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

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

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

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

Following the outbreak of COVID-19 in Cyprus, the Firm has taken the required measures to ensure that its employees have access to its technology infrastructures necessary for the completion of their tasks and that additional system for critical functions are.

5.4.1. Fixed Overheads Requirements

Following the CRDIV implementation, Operational Risk is replaced by Fixed Overheads requirements for "Limited Licence" CIFs (under Article 95(1) of the CRR, pursuant to Article 97 of the CRR).

The purpose of this requirement is to enable CIFs to protect their investors in case of winding down or restructuring their activities and to hold sufficient financial resources to withstand operational expenses over an appropriate period of time. In this respect, the Company is required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year based on the most recent audited annual financial statements, or projected fixed overheads in the case where an investment firm has not completed business for one year.

In addition to holding eligible capital of at least one-quarter of the fixed overheads of the previous year, CIFs have to calculate their total risk exposure based on fixed overheads. The Total Risk Exposure Amount for Limited Licence CIFs is the higher of the Total risk exposure amount (excluding Operational Risk) and the Fixed Overhead of the preceding year (or projected expenses as applicable) (x 12.5 x 25%).

The Company's Fixed Overheads Risk Exposure amount is provided by the table below:

Table 13: Fixed Overhead Risk Exposure

Fixed Overheads	Fixed Overheads Requirements	Fixed Overheads Risk Exposure Amount	Additional Exposure Amount	Total Risk Exposure Amount
€'000	€'000	€'000	€'000	€'000

65	16	204	182	204
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In this respect, the Fixed Overheads risk exposure amount is EUR 204k which is greater than the sum of the Credit Risk and Market Risk exposures which is EUR 21k.

6. CONDUCT

6.1. Concentration Risk

Concentration Risk includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc.

Concentration risk was partly addressed through diversification of counterparties, namely banking institutions. Moreover, the Company's experience in the collection of trade receivables has never caused debts which are past due and have to be impaired. The Company has a policy in place to monitor debts overdue by preparing debtors ageing reports.

Large Exposures

A large exposure is defined as the total exposure of a firm to a client or group of connected clients, in the banking book and its value is equal to or exceeds 10% of its eligible capital. Furthermore and where the amount of €150 million is higher than 25 % of the institution's eligible capital the value of the exposure, after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403 shall not exceed a reasonable limit in terms of the institution's eligible capital. That limit shall be determined by the institution in accordance with the policies and procedures referred to in Article 81 of Directive 2013/36/EU, to address and control concentration risk. This limit shall not exceed 100 % of the institution's eligible capital.

The Company is not subject to the Large Exposures regime, in accordance with Article 388 of the CRR. Nevertheless, according Paragraph 61 - Limitations on exposures to directors and shareholders of the Directive, a CIF is not allowed to have exposures to all directors more than 1% and to all shareholders that are not an institution, more than 2% of its eligible capital. Exposures to shareholders and directors are monitored and kept within the limits.

The Company's exposures are within the limits and as such no further actions are required.

Upon the implementation of the new prudential framework, Investment Firms shall monitor and control their large exposures in order to ensure that are compliant with the maximum allowable limits set by Article 37 of the IFR.

6.2. Reputation Risk

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

The Company has transparent policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such

circumstances. The possibility of having to deal with customer claims is very low as the Company provides high quality services to customers.

6.3. Strategic Risk

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

6.4. Business Risk

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

6.5. Capital Risk Management

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

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

6.6. Regulatory Risk

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

Company's control framework at least annually. Therefore, the risk of non-compliance is very low.

6.7. Legal and Compliance Risk

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

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

The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Internal Auditors. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

6.8. IT Risk

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

6.9. Risk Reporting

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

6.10. Liquidity Risk

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

As a class 3 Investment Firm, the Company will be requested upon the implementation of the new prudential framework to hold an amount of liquid assets (defined as per the Article 43 of the IFR) equal to at least one third of the fixed overhead requirement.

The Company has already assessed whether it has adequate liquid assets and took the appropriate measures to ensure compliance with the new Liquidity Requirement which will be implemented on 26 June 2021.

6.11. Conduct Risk

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

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

As part of risk management policy and tools, the Company has procedures in place to diversify its liquidity providers and monitor their financial position on an on-going basis. The financial soundness of the liquidity providers is being monitored and the Company is ready to switch to alternative LPs, if necessary. Furthermore, the receivable/payable amounts with the LPs are monitored on a regular basis. In particular, the Company examines its existing procedures and arrangements with respect to the products offered and services provided.

7. REMUNERATION POLICY

The Company has established a Remuneration policy, which its purpose is to set out the remuneration practices of the Company taking into consideration the salaries and benefits of the staff, in accordance with the provisions of Directive as well as the Circular 031 (Circular 031 has been issued in place of Guidelines GD-IF-07 for the correct filing purposes) on remuneration policies and practices, where these comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities. Furthermore, the Company's remuneration strategy is designed to reward and motivate the people who are committed to maintaining a long term career with the Company and performing their role in the interests of the Company.

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

Furthermore, the Policy also benefits from the full support of senior management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures.

Moreover, the Policy adopts and maintains measures enabling them to effectively identify where the relevant person fails to act in the best interest of the client and to take remedial action.

Finally, the Company's remuneration policy aims to:

- a) Determine the Financial remuneration (i.e. share, options, cancellations of loans to relevant persons at dismissal, pension contributions, remuneration by third parties e.g. through carried interest models, wage increases), and
- b) Determine non-financial Remuneration (i.e. career progression, health insurance, discounts or special allowances for car or mobile phones, generous expense accounts, seminars in exotic destinations), and
- c) Determine the assessment of the employees, and
- d) Provide for sufficient motives so as for the Relevant Persons to achieve the business targets, deliver an appropriate link between reward and performance whilst at the same time become a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and/or mis selling practices in light of financial incentives schemes, which could lead to compliance risks for the Company in the long-run.

7.1. Remuneration System

The Company's remuneration system and policy 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 and members of the Board; the said practices are established to ensure that the rewards for the executive management are linked to the Company's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels. The Company uses remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long term success.

The remuneration mechanisms employed are well known management and human resources tools that take into account the following factors in order to determine the remuneration of each staff member:

- a) The financial viability of the Company,
- b) The general financial situation and the state in which the Company operates,
- c) Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements, commitment and work ethics) performance evaluation and the rating received based on their annual performance in relation to the objectives set up at the beginning of the period,
- d) Each employee's professional conduct with clients (such as acting in the best interest of the Client, fair treatment of clients and inducing client satisfaction), as applicable.

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

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

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

The total remuneration of staff currently consists of a fixed and a variable component. Fixed Remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, risk, accountability, and responsibility needed for an employee to perform each position/role. The Policy is also set in comparison with standard market practices employed by the other market participants/competitors. The Company's fixed Remuneration is approved by the Senior Management for all the relevant employees and it is reviewed by the Company at least annually and according to the relevant legislation without affecting the other terms of employment. Benefits provided to the Company's Relevant Persons, such as private health insurance, are not employee performance-related and are considered part of the fixed Remuneration.

Moreover, the Company's has in place a 'variable Remuneration scheme' whereby the Relevant Persons may receive variable Remuneration in addition to their monthly fixed salary/fixed fee (in case of third party service providers) and in accordance with Section 9 of the Policy. Variable Remuneration is only paid via the Company's payroll system either via wire transfers. Moreover, the Company does not award, pay or provide guaranteed variable Remuneration.

The Company has diversified four main categories that the relevant persons may receive the variable remuneration:

- a) Senior Management;
- b) Control Functions;
- c) Sales and Retention Functions;
- d) Other Relevant Persons.

This kind of remuneration is not guaranteed and the Board has determined a maximum percentage of variable remuneration relative to the fixed remuneration in order to ensure a compliant ratio between these two kinds of remuneration. Although, the maximum limit on variable remuneration set at 100% of fixed salary, the limit could be set at 200% upon shareholders' approval according to the Article 94 of Directive 2013/36/EU.

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

The Company recognizes that its remuneration system has some features that increases the mis-selling risk. Therefore, the Company applies effective mitigation controls for each part of the remuneration system.

7.2. Link between the pay and performance

The Company recognises the responsibility that the Staff has in driving its future success and delivering value for the Company and that remuneration is a key component in motivating and compensating its employees. Furthermore, the overall remuneration policy incorporates an annual variable incentive compensation reflecting individual performance and overall performance.

The individual performance is assessed during the annual appraisal process, which establishes objectives for all staff covering both financial and non-financial factors, specific behavioural competencies including compliance and risk management behaviours with regards to the Company's procedures.

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

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

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

1. Objectives are set in the beginning of each year (depending on the department appraisal process) defining what the Company functions, departments and individuals are expected to achieve during the year and semi-annually.
2. Performance checks and feedbacks: managers provide support and feedback to the concerned staff annually and semi-annually, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
3. Annual performance review takes place annually. The annual performance review also determines the level of the annual (one-off) variable Remuneration to be awarded to the employees. The variable elements of the Remuneration depend on the annual performance evaluation of each employee, the fulfilment of their annual performance related targets and the annual financial performance of the Company.

7.3. Remuneration of Senior Management Personnel and Directors

The remuneration policy is intended to ensure that the business will attract and retain the most qualified Senior Management Personnel and Directors. As stated above, in the criteria used for determining the remuneration of the directors are segregated into quantitative and the qualitative criteria. The quantitative remuneration criteria mostly rely on numeric and financial data such as the business's performance and the individual performance evaluation and ratings of each member of the staff whose professional activities affect the risk profile of the firm.

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

Table 14: Remuneration analysis split by Senior Management and key management personnel

2020	Senior Management (Executive Directors)	Key Management personnel	Non-Executive Directors
	€000	€000	€000
Fixed reward	80	19	13
Variable reward	0	0	0
Total	80	19	13
Number of beneficiaries	2	1	2

*The variable to fixed ratio is 0,00% which is below the maximum limit of 100%.

Companies are required to disclose the number of natural persons that are remunerated €1mln or more per financial year, in pay brackets of €1mln, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Company that are remunerated €1mln or more per financial year and as such the above disclosure is not applicable. No sign-on payments have been awarded during 2020, while no severance payments were paid during the year. Furthermore, aggregate remuneration analysed by business area is presented below:

Table 15: Aggregate remuneration analysis by business area

Business Area	Aggregate remuneration
	€000

Control Functions*	99
Brokerage Department	0
Back office Department	0
Support/Sales Unit	-
Portfolio Management Department	0
Total	99

*Control functions include the Executive Directors and Compliance Function.