Depaho Ltd

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

YEAR ENDED 31 DECEMBER 2020

June 2021

CONTENTS

1. OVERVIEW

1.1 General Information

This report pertains to the “Disclosure and Market Discipline of Investment Firms” regulatory obligation, in accordance with the provisions of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the “CRR” or “Regulation”) and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the “CySEC”) for the prudential supervision of investment firms (hereinafter the “Directive”). Under this regulatory obligation, Depaho Ltd (hereinafter the “Company”) is obliged to provide information on its risk management, capital structure, capital adequacy, its risk exposures, as well as the most important characteristics of its corporate governance, including its remuneration system. The scope of these disclosures, termed the Pillar III Disclosures, is to promote market discipline and to improve transparency of market participants.

The information that the Company discloses herein relates to the year ended 31 December 2020.

The current regulatory framework (Basel framework) is based on three pillars:

– Pillar I (‘minimum capital requirements’) defines rules for the calculation of credit, market and operational risk
– Pillar II (‘supervisory review’) requires investment firms to estimate their own internal capital requirements through an Internal Capital Adequacy Assessment Process (“ICAAP”), which is subject to supervisory review and evaluation, and
– Pillar III (‘market discipline’) involves the disclosure of a suite of qualitative and quantitative risk management information to the market.

1.2 Company Incorporation and Principal Activities

Depaho Ltd (the “Company”) was incorporated in Cyprus on 11th of August 2011 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated as a Cypriot Investment Firm (“CIF”) by the CySEC under License Number 161/11, in accordance with Law 87(I)/2017 for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters, since 27 December 2011.

According to its CIF license, the Company is authorized to provide the following investment and ancillary services, in relation to financial Contracts For Difference (“CFDs”):

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

Ancillary Services
1. Safekeeping and administration of financial instruments, including custodianship and related services; 2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction; 3. Foreign exchange services where these are connected to the provision of investment services; 4. Investment research and financial analysis or other forms.

1.3 Scope of Disclosures

The Company is controlled by Invesus Group Ltd, a company incorporated in Gibraltar, which owns 100% of the Company's shares. The Pillar III Disclosures for the year ended 31 December 2020 are prepared on an individual (solo) basis.

1.4 Disclosure Policy

In accordance with Article 433 of the CRR, financial institutions are required to publish the disclosures required by Part Eight of the CRR, at least on an annual basis.

The Company is required according to the Directive, to provide to CySEC a copy of its External Auditor's verification report with regards to its Pillar III Disclosures, five months after the end of each financial year, at the latest. Nevertheless, for CIFs' disclosures concerning FY 2020, through its Circular C445 the CySEC has extended this deadline to the latest within eight months from the end of financial year 2020, due to the ongoing developments related to the Coronavirus (COVID-19) outbreak and in an effort to ensure operational continuity.

The Company discloses information in relation to its capital requirements on an annual basis. The disclosures are published on the Company's website www.depaho.com (which is being redirected to www.depaho.eu), in conjunction with the date of publication of the financial statements.

1.5 Coronavirus Outbreak

he existence of COVID-19 as confirmed in early 2020 and which has spread across most of the world is causing significant disruption to business and economic activity whilst at the same time increasing market volatility and investor trading interest in CFDs and other financial instruments. The Company has experienced a significant increase in revenues for the first quarter of 2020. Moreover, the safety and wellbeing of employees remains a top priority for the Company. Employees are working remotely from home without any disruption and as such there has been no operational impact from the COVID-19 pandemic to date. The business has been functioning successfully, maintaining the same high quality of service, while being able to handle increased customer interest.

1.6 Regulatory Developments

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

2. RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

2.1 Board of Directors

The members of the Board of Directors (hereinafter "the Board") of the Company have a good repute and sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences, and the Board gathers adequate knowledge, skills and experience to be able to understand the Company's activities, including its principal risks. Each member of the Board acts with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary, and to effectively oversee and monitor the decision-making process of the management. Furthermore, all members of the Board commit sufficient time to perform their assigned duties.

As at 31st of December 2020, the Company's Board of Directors comprised of six members, (2) two which were executive directors and 4 (four) non-executive directors, of which the (2) two were also independent.

The major duties of the Board of Directors are to:

- Ensure that the Company complies with its obligations under the Law. The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and take appropriate measures to address any deficiencies;
- Ensure that it receives on a frequent basis, and at least annually, written reports regarding Compliance, Internal Audit, Anti-Money Laundering & Terrorist Financing and Risk Management issues, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies;
- Monitor the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and prevention of any unlawful transactions, identification of risks, as well as timely and adequate flow of information;
- Pass a resolution for selecting a service provider or individual for outsourcing.

Furthermore, the executive directors take part in the operation of the Company and, as appropriate, in the control of the risks arising from the provision of investment and ancillary services. The Non-Executive (Independent) Directors monitor the operations of the Company through their participation in the various Board Committees, as applicable, and in the meetings of the Board, and also request and are granted access to, as necessary, information and reports from the management of the Company.

The Board meets at least once per quarter. During these meetings, the general strategy of the Company is included in the agenda, among other topics. Quorum must be achieved before meetings can be considered open. Quorum consists of three (3) directors present either physically or through telephone conference calls. The minutes of the meetings of the Board, during which the reports regarding Compliance, Internal Audit, Money Laundering & Terrorist Financing and Risk Management issues are discussed, are submitted to CySEC within twenty (20) days from the date of the meeting in question, as per the relevant legislation.

The Board makes decisions at meetings by written resolution. All decisions of the Board regardless of the forum (physical or via conference call) are made by a majority vote on all matters within the competence of the Board. In the event of a voting tie, the group in which the Chairman of the Board has voted for is considered to have the majority. During 2020, the Board of Directors met eight (8) times.

2.2 Board Recruitment Policy

When in need of adding a new member to the Board of Directors, every effort is made to attract applicants from all sections of society and to ensure fair treatment during the recruitment process.

The recruitment is handled as follows:

1. The potential interested candidate provides the Nomination Committee of the Company with his/her Curriculum Vitae (hereinafter “the CV”);
2. The Nomination Committee ensures that the candidate does not have the combinations of directorships prohibited by relevant Cyprus legislation, at the same time and/or that he/she is authorised by the CySEC to hold additional directorships;
3. The candidate’s CV is reviewed by the Nomination Committee in order to check his/her professional skills;
4. If satisfied, the Nomination Committee addresses the CV to the Board of Directors;
5. Upon review and voting, the Board of Directors offers, accordingly, the successful candidate the position to the Board of Directors.

Furthermore, the below list of requirements must be fulfilled:

- Each Board member must commit sufficient time to perform his/her functions within the Company.
- All Board members should act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the Senior Management where necessary.
- The Board members should have the necessary skills, experience and expertise in order to be able to effectively oversee and monitor management decision making.

2.3 Board Diversity Policy

The purpose of the Board's Diversity Policy is to promote an environment within which the Company achieves a wide range of knowledge, qualities, skills and experience, as well as ensure compliance with the relevant legislation and internal policies and procedures, while recruiting new members to the Board of Directors. Through this Policy, the Company aims to ensure that the overall composition of the Board of Directors reflects an adequately broad range of experiences so as to be able to understand the Company's activities and operations, as well as its main risks.

2.4 Number of directorships held by Board members

The table below provides information on the number of directorships each member of the management body of the Company holds at the same time in other entities (including the directorship held in the Company). Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit or charitable organizations, are not taken into account for the purposes of the below. Furthermore, executive or non-executive directorships held within the same group, are considered as a single directorship.

Name of Director	Position within the Company	Directorships - Executive	Directorships - Non Executive
Mrs. Aida Rizk	Executive Director	1	-
Mr. Charalambos Hadjieconomou	Executive Director	1	-
Mr. Hananel Levi	Non-Executive Director	-	1
Mr. Marios Economou	Non-Executive Director	1	1
Mr. Petros Nacouzi	Non-Executive Director	2	2
Mrs. Neda Irodotou	Non-Executive Director	-	2

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

2.5 Risk Management Committee

The Risk Management Committee is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general. Towards this direction, the Company adopts and maintains risk management policies, through which it identifies the risks relating to the Company's activities, processes and systems and sets the risk tolerance levels of the Company. The Risk Management Committee (RMC) bears the responsibility to monitor the adequacy and effectiveness of risk management policies and procedures in place. Furthermore, the RMC monitors the level of compliance by the Company and its relevant persons with the policies and procedures adopted. The RMC is also responsible to monitor the adequacy and effectiveness of measures taken to address any deficiencies (with respect to the relevant policies and procedures that are in place), including failures by the Company's relevant persons to comply with those policies and procedures.

The Risk Management Committee reports directly to the Board of Directors and consists of the following:

a. Two Non-Executive Directors
b. Risk Manager
c. Accounting Assistant

The chairman of the Committee is one of the Non-Executive Directors, as appointed from time to time. The Committee is also attended by the Risk Manager (ex officio and without any voting rights). The members of the Committee change only upon the approval of the Board. The latter must replace immediately the retiring member of the Committee or appoint a temporary member until a permanent member is selected. Any member wishing to retire from the Committee must submit a resignation letter to the Board of Directors. In the letter, the member must state the reason for resigning, while sufficient time must be given so the Board may select an alternative member. The Board of Directors has the duty to convene at short notice to examine the resignation letter, with the participation, if deemed necessary, of the said member of the Committee.

The responsibilities of the Risk Management Committee are:

a. To scrutinize and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company;
b. To review the risk management procedures in place;
c. To review, discuss, elaborate and amend, if necessary, the ICAAP of the Company, on a yearly basis, prior to the approval of the Board;
d. To monitor and control the Risk Manager in the performance of his/her duties and the effectiveness of the Risk Management Committee;
e. To ensure that the Company has a clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or organizational units of the Company. Specifically, such policy ensures that all parties involved in the provision of investment services are aware of:
    - the particular features of each investment service, Financial Instrument and risk inherent in the provision of the services in respect thereof,
    - the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company.
f. To consider, to the extent possible, risk factors affecting costs, the price at which competitors offer the same services, and the cost-benefit ratio for each service, and verify that such information is utilized by the Risk Management Committee in the carrying out of its duties;
g. Specifically with respect to Liquidity risk and Market risk, review the policies of the Risk Management Committee on:
    - acceptable maximum risk assumption limits per class of risk,
    - breakdown of such risk limits further where necessary, for example, per class of investment service, Financial Instrument, Client or market,
    - implementing stop loss-control limits,
    - following up open positions within the approved limits.
h. Prior to expanding the Company's operations to any new financial instruments or investment services, the Committee is satisfied that the Company has incorporated such expansion projects into its strategic development plan, located and accurately assessed the inherent risks by implementing the necessary risk management procedures and resolving any legal issues associated with the execution of the relevant transactions, as well as the issues relating to their monitoring;
i. To ensure the immediate tracking down and scrutiny of important abrupt changes in the Company's financial figures, procedures or personnel, as well as the regular control of the volume and causes underlying deviations between projections and corporate end results, as submitted to the Board, so as to enable the assessment of the performance of each of the Company's separate organizational units by reference to the set targets;
j. To approve Client and counterparty limits;

k. To approve policy description concerning information systems and monitor the information systems in place;
l. To supervise the Disaster Recovery Plan;
m. To brief the Internal Auditor, as applicable;
n. To monitor the policies related to the Dealing On Own Account Department;
o. To review the established Dealing on own Account Policy on an annual basis or whenever the need arises and take into account the recommendations of the Head of Dealing On Own Account Department.

The Risk Management Committee presents its findings in a report to the Board of Directors. The latter decides upon the risk management policies of the Company, following the recommendations of the Risk Management Committee.

The Risk Management Committee meets at least twice per year, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager. The decisions are made by a majority vote and minutes for all meetings are kept in writing and filed by the Risk Manager.

The Risk Management Committee receives the necessary information by the Head of the Dealing on Own Account Department, in order to approve or reassess any set limits, including Market and Liquidity risk in investments. The Heads of Departments present to the Committee actions taken in the direction of implementing last decisions of the Committee, in respect of their respective departments of responsibility, as applicable. The minutes of the Committee (and a report on the actions taken, as applicable) are presented to the Board of Directors during one of the Board’s regular meetings, by the Chief Operations Officer. The decisions of the Risk Management Committee with respect to any of its responsibilities as outlined above are presented to the relevant employees of the Company verbally or in writing.

During 2020 the Risk Management Committee met four (4) times.

2.6 <u>Nomination Committee</u>

The Company’s Nomination Committee is comprised of two Independent Non-Executive Directors.

The Nomination Committee is responsible for:

- Identifying and recommending, for the approval of the Board, candidates to fill Board vacancies;
- Assessing at least annually the structure, size, composition and performance of the Board and making recommendations with regards to any changes;
- Assessing and reporting to the Board at least annually the knowledge, skills and experience of individual members of the Board;
- Reviewing the recruitment process of senior management selection and appointment and making recommendations to the Board.

The Nomination Committee held one meeting during 2020.

2.7 Risk Manager

The Board of Directors appoints a Risk Manager to ensure that all the different types of risks assumed by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all the necessary procedures relating to risk management are in place and are functional on an operational level on a daily basis. The Risk Manager reports directly to the Senior Management of the Company. The Risk Management Committee is responsible to control and overview the Risk Manager's actions/performance.

The Risk Manager is responsible for:

a. Complying with and implementing the relevant provisions of the Law relating to risk management issues;
b. Requiring sufficient information from all the relevant departments of the Company in order to perform his duties;
c. Educating and training the personnel of the Company on risk-related issues;
d. Examining the financial results of the Company;
e. Analyzing the market and its trends (from a risk management perspective), as applicable;
f. Evaluating how the introduction of potential new services or activities by the Company could affect the risk management of the Company and providing feedback to the Senior Management or the Board, as requested;
g. Examining the capital adequacy and the risk exposures of the Company;
h. Drafting written reports to the Senior Management and the Board of Directors, including recommendations, indicating in particular whether the appropriate remedial measures have been undertaken in the event of any deficiencies, at least annually. These reports are presented to the Board and discussed during its meetings, at least annually. The Company submits to CySEC the minutes of the meetings of the Board of Directors during which the report of the Risk Manager has been discussed within twenty (20) days from the date of the relevant meeting and no later than four (4) months after the end of the calendar year;
i. Calculating, setting, reviewing, updating and monitoring Client and counterparty limits, as applicable;
j. Maintaining a record of all the Clients and counterparties risk and limits involved;
k. Recommending, providing and supervising policy description concerning information systems (including backup systems that can restore the Company's smooth operation in case of failure);
l. Managing the overall risks faced by the Company with a particular focus on the Client side risks where fraud, dispute, Client identification, Client due diligence and funding/deposit risks are handled and monitored accordingly in coordination with the AMLCO and the Administration/Back Office Department, as applicable;
m. With respect to Liquidity risk and Market risk:
    - defining acceptable maximum risk assumption limits per class of risk,
    - breaking down the above risk limits further where necessary, for example, per class of investment service, Financial Instrument, Client or market, as applicable,
    - implementing stop loss-control limits, where applicable,
    - following up open positions within the approved limits.
n. Monitoring the provision of the ancillary service of granting credits or loans to investors to allow them to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
o. Suggesting to the Senior Management to stop trading, if it is necessary due to the current market conditions and credit risk;

p. Preparing and implementing the ICAAP to ensure that adequate capital is in place to support any risk exposures the Company may have, in addition to requiring appropriate risk management, reporting and governance structures. The ICAAP is presented to the Board of Directors on an annual basis. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk;
q. Monitoring the performance and overall actions of the Dealing on Own Account Department on a continuous basis;
r. Monitoring the performance of the portfolios that the Company is dealing on own account.

2.8 Anti-Money Laundering Compliance Officer

The Board of Directors appoints a person to the position of the Company's Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The AMLCO belongs to the management of the Company so as to command the necessary authority. The AMLCO leads the Company's Anti-Money Laundering Compliance procedures and processes and reports to the Senior Management and the Board of Directors of the Company. In cases where it is deemed necessary, and following recommendations by the AMLCO, assistants to the AMLCO are also appointed.

The Compliance/Anti-Money Laundering Reporting Officer of the Company's Spain Branch is responsible for the compliance of the Branch with the Law 188(I)/2007 and the CySEC Directive DI144-2007-08, as well as for liaising with the Company's AMLCO on Money Laundering Compliance matters. Furthermore, the AMLCO of the Company is regularly overseeing the overall compliance of the Branch and the Tied Agent in accordance with the Law 188(I)/2007 and the CySEC Directive DI144- 2007-08 as necessary.

The AMLCO is assigned the duty to prepare the Annual Anti-Money Laundering Compliance Officer Report. The AMLCO's Annual Report is prepared and submitted to the Board of Directors for approval within two months from the end of each calendar year (i.e. the latest, by the end of February). The Board of Directors, having studied the content of the said Report, takes any necessary measures to correct any weaknesses or omissions identified in it. Following the Board's approval of the Report, a copy is submitted to the CySEC together with the Board's meeting minutes, within twenty (20) days from the end of the meeting, and no later than three (3) months from the end of each calendar year.

Furthermore, the main duties of the AMLCO include the following:

a. To design, based on the general policy principles of the Company, the internal practice, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing and describe and explicitly allocate the appropriateness and the limits of responsibility of each department;
b. To develop and establish the Clients' acceptance policy and submit it to the Board of Directors for consideration and approval;
c. To prepare/update the risk management and procedures manual to deal with cases which could be related to money laundering and terrorist financing (hereinafter, the "AML Manual");
d. To monitor and assess the correct and effective implementation of the general principles policy, the practices, measures, procedures and controls of point (a) above and, in general, the implementation

of the AML Manual of point (c) above. In this respect, the AMLCO applies appropriate monitoring mechanisms (e.g. on-site visits to different departments/units of the Company) in order to obtain all the necessary information for assessing the level of compliance of the departments and employees of the Company with the procedures and controls which are in force. If the AMLCO identifies shortcomings and/or weaknesses in the application of the required practices, measures, procedures and controls, he/she gives appropriate guidance for corrective measures and, where deemed necessary, informs the Board of Directors;

e. To establish and maintain appropriate and effective arrangements, systems and procedures for preventing, detecting and reporting abusive practices or suspicious orders or transactions, in relation to market manipulation and inside dealing or attempted market manipulation and insider dealing;
f. To receive information from the Company's employees who have the knowledge or suspicion of money laundering or terrorist financing activities or might be related with such activities. The information is received in a written report form called the "Internal Suspicion Report" (a specimen of such report can be found in the AML Manual);
g. To evaluate and examine the information received as per point (e) above, by reference to other relevant information and discuss the circumstances of the case with the informer and where appropriate, with the informer's superiors. The evaluation of the information of point (e) above is set out in the Internal Evaluation Report;
h. If, following the evaluation described in point (f) above, the AMLCO decides to notify the Money Laundering Combat Unit of the Republic of Cyprus (hereinafter, the "AML Combat Unit"), then he/she submits an Internal Evaluation Report to the Unit the soonest possible;
i. If following the evaluation described in point (f) above, the AMLCO decides not to notify the Unit then he/she fully explains the reasons for such a decision in the relevant Internal Evaluation Report;
j. To act as a first point of contact with the AML Combat Unit upon commencement of, and during an investigation as a result of filing a report to the Unit according to point (g) above;
k. To ensure the preparation and maintenance of the lists of Clients categorized following a risk-based approach, containing the Clients' name, account number and dates of commencement of the business relationship. Moreover, the AMLCO ensures the updating of the said list with all new or existing Clients, in the light of any additional information obtained;
l. To detect, record and evaluate, at least on an annual basis, all risks arising from existing and new Clients, new financial instruments and services and update and amend the systems and procedures applied by the Company for the effective management of the aforesaid risks;
m. To evaluate the systems and procedures applied by a third person on whom the Company may rely for Client identification and due diligence purposes, and approve the cooperation with it, as applicable;
n. To ensure that the branches and subsidiaries of the Company, if applicable, that operate in countries outside the EEA, take all necessary measures for achieving full compliance with the provisions of the Company's AML Manual, in relation to Client identification, due diligence and record keeping procedures;
o. To provide advice and guidance to the employees of the Company on subjects related to money laundering and terrorist financing;
p. To prepare correctly and timely submit to CySEC the monthly prevention statement and provide the necessary explanation to the appropriate employees of the Company for its completion;
q. To prepare the Annual Anti-Money Laundering Compliance Officer Report;

2.9 Compliance Officer

The Board appoints a Compliance Officer in order to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the Compliance Officer is responsible to put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer reports to the Senior Management of the Company and the Board of Directors.

The Compliance Officer is independent and has the necessary authority, resources, expertise and access to all relevant information, and is mainly responsible for the following:

a. Monitoring the adequacy and effectiveness of the measures and procedures of the Company;
b. Advising and assisting the relevant persons responsible for carrying out the investment services to be in compliance with the Law;
c. Drafting written reports for the Senior Management and the Board of Directors making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually. These reports are presented to the Board of Directors and discussed during its meetings, at least annually. The Company submits to CySEC the minutes of the Board meetings during which the Compliance Officer report were discussed within twenty (20) days from the date of the relevant meeting and no later than four (4) months after the end of the calendar year;
d. Training and educating the staff of the Company in respect with the Compliance Function according to the Law;
e. Communicating the relevant statutes of the IOM to each employee and notifying them of any relevant changes therein that relates to his/her role and responsibilities in the Company;
f. Ensuring that the executive directors or other hierarchically higher officers do not exercise inappropriate influence over the way in which a relevant person carries out the provision of investment and ancillary services;
g. Developing, designing and re-designing the appropriate procedures of the Company, so as to prevent and resolve potential conflicts of interest, ensuring that all the procedures regarding the Company's Conflict of Interest Policy are in place, as well as establishing and maintaining Chinese Walls between the various organisational units of the Company. Regular checks are performed to ensure the latter.
h. Ensuring that all employees have the ability to identify cases of potential conflicts of interest. The latter is verified at least once a year;
i. Deciding whether or not to allow a transaction by notifying Clients, after being informed by members of the staff of a potential conflict of interest situation;
j. Disclosing to Clients or potential Clients the general nature and any potentially present conflicts of interest;
k. Keeping records regarding conflict of interest situations, where relevant;
l. Reviewing and consenting the Company's Business Replacement Policy (the CEO or COO is responsible for approving the Policy);
m. Establishing and implementing the measures as regards personal transactions and notifying each relevant person of the restrictions on personal transactions;
n. Ensuring together with the Legal Department that all relevant information is included in the Company's outsourcing agreements;
o. Ensuring that the performance of multiple functions by the Company's relevant persons does not and is not likely to prevent those persons from discharging any particular function soundly, honestly, and professionally;

In the absence of the AMLCO, the Compliance Officer is appointed as the "Alternate AMLCO" to replace the AMLCO temporarily and perform his/her duties. CySEC is informed of the appointment of the Alternate AMLCO.

2.10 Internal Audit

The Company, taking into consideration the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, establishes and maintains an Internal Audit Function through the appointment of a qualified and experienced Internal Auditor. The Internal Auditor is appointed and reports to the Senior Management of the Company. The Internal Auditor is separated and independent of the other functions and activities of the Company.

The Internal Auditor bears the responsibility:

a. To establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
b. To issue recommendations based on the results carried out in accordance with point (a);
c. To verify compliance with the recommendations of point (b);
d. To provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Company, at least annually.

The Internal Auditor is responsible for applying the Internal Control System ("ICS"), which confirms the accuracy of the reported data and information. Furthermore, the role of the Internal Auditor is the programming, on an at least annual basis, of checks on the degree of application of the required ICS.

The Internal Auditor has full access to the Company's personnel and books. Likewise, the Company's employees have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided.

The Board of Directors ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken. The Board of Directors ensures that all issues are dealt with and prioritized, according to its assessment.

2.11 Information flow on risk to the management body

The Board is updated regarding any risk issues by the Risk Manager and is informed of the Risk Management Committee resolutions. In addition, it receives reports on risk management, compliance, anti-money laundering and internal audit issues at least annually. The following table presents the main pieces of information provided to the Board on risk-related issues:

Table 1: Reports prepared on risk-related issues

Information	Report prepared by:	Report received by:	Frequency
Risk Management Report	Risk Manager	Board, CySEC	Annually
Compliance Report	Compliance Officer	Board, CySEC	Annually
AML Compliance Report	AMLCO	Board, CySEC	Annually
Internal Audit Report	Internal Auditor	Board, CySEC	Annually
Suitability Report	External Auditor	Board, CySEC	Annually
Audited Financial Statements	External Auditor	Board, CySEC	Annually
ICAAP	Risk Manager	Board, CySEC (upon request)	Annually

2.12 Board Declaration – Adequacy of the Risk Management arrangements

The Company's Board of Directors declares that, following a review on the effectiveness of the Company's risk management arrangements and systems on financial and internal control designed to mitigate the risks during the year 2020 until June 2021, the Company has in place adequate and appropriate systems and controls with regards to its profile and strategy.

2.13 Risk Statement

The Company's risk statement, which describes the Company's overall risk profile associated with the business strategy, is provided in Annex I.

3. CAPITAL MANAGEMENT

The adequacy of the Company's capital is monitored by reference to the provisions of the Regulation and the Directives 144-2014-14 and 144-2014-15 of the CySEC (the "Directives").

The Basel III framework consists of three pillars:

- Pillar I - Minimum capital requirements
- Pillar II - Supervisory review process
- Pillar III - Market discipline

Pillar I – Minimum Capital Requirements

The Company applies the Standardised approach for calculating its minimum capital requirements for Credit and Market risk and the Basic Indicator approach for Operational risk.

Based on the Standardised approach for Credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to their characteristics and asset classes to which they belong.

The Standardised approach for the capital requirement for Market risk considers both the long and short Market risk positions according to predefined methods to determine the capital requirement.

For Operational risk, the Basic Indicator approach calculates the average, on a three-year basis, of net income to be used in the Risk Weighted Assets ("RWAs") calculation.

Pillar II – The Supervisory Review and Internal Capital Adequacy Assessment Processes

The Supervisory Review and Evaluation Process ("SREP") provides rules to ensure that adequate capital is in place to support any risk exposures of the Company, in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risks not fully addressed in Pillar I, such as Liquidity risk, Compliance risk, Reputational and Information Technology risk, as well as any external factors affecting the Company. Pillar II connects the regulatory capital requirements to the Company's ICAAP and to the reliability of its internal control structures.

Furthermore, the implementation of the ICAAP has tested the soundness and effectiveness of the risk mitigation methods that are already in place within the Company. In the period under review, during the ICAAP preparation process the Company has identified important weaknesses that could potentially be hazardous to its operations, financial position and performance. For these areas, additional mitigating measures (specifically, additional capital buffer or controls) have been put in place in order to better manage the potential effects.

The ICAAP provides a clear vehicle of reporting between all the business lines of the Company, its Management and its Board of Directors, which helps to develop a risk awareness culture by making available the risk strategy, policies and procedures, as well as by promoting a sound risk monitoring and risk identification structure in all levels within the Company. In addition, these risks have become an input to the Company's business plans, while their impact will be monitored in a forward-looking manner.

The Company's most recent ICAAP report has been prepared on audited figures of reference date 31st of December 2019.

Pillar III – Market Discipline

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 Own Funds.

According to the Directive, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. The Company has included its risk management disclosures on its website as it does not publish its financial statements.

4. OWN FUNDS

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its activities.

The CySEC requires each investment firm to maintain a minimum ratio of Own Funds to RWAs of 8% for Pillar I risks, plus the relevant capital buffers, as applicable. In addition, the CySEC may impose additional capital requirements for risks not covered by Pillar I. For 2020, the Company was subject to a minimum Pillar I capital adequacy ratio of 8%, plus a capital conservation buffer of 2,50% and an institution-specific countercyclical capital buffer of 0%, resulting to an overall minimum of 10,50%. The buffers have to be met entirely out of Common Equity Tier 1 ("CET1") capital.

The Own Funds/capital base of the Company as at 31 December 2020 comprised solely of CET1 items and is presented in Table 1 below:

Table 2: Own Funds and Minimum Capital Requirements

Own Funds and Minimum Capital Requirements	31 December 2020 € '000
Own Funds	
Share capital	4
Share premium	316
Retained Earnings	(12.488)
Audited profit for the year	15.752
Total CET1 Capital before deductions	**3.584**
Deductions from CET1 Capital	
Intangible assets	(158)
Investors Compensation Fund (contribution & 3 per thousand cash buffer)	(132)
Additional Valuation Adjustments ("AVA")	-
Total CET1 Capital after deductions	**(290)**
Additional Tier 1 Capital	**3.294**
Tier 2 Capital	**-**
Total Own Funds	**3.294**
Minimum Capital Requirements	
Credit Risk	222
CVA Risk	-
Foreign Exchange Risk	-
Equity Market Risk	87
Commodity Risk	-
Interest Rate Risk	-
Operational Risk	1.421
Additional capital requirements for the large exposure excess in Trading Book	-
Total Minimum Capital Requirements	**1.730**
Capital Adequacy Ratio	**15,23%**

Further information in relation to the Company's Own Funds at year-end is provided in the table below:

Table 3: Reconciliation of equity as per Balance Sheet with regulatory Own Funds

Balance Sheet Description as per audited Financial Statements	31 December 2020 (€ ‘000)
Share Capital	4
Share Premium	316
Retained earnings	(12.488)
Profit for the year	15.752
Total Equity as per audited Financial Statements	**3.584**
Deductions	
(Less: Intangible assets)	(158)
(Less: ICF Contribution & Additional Cash Buffer)	(132)
(Less: AVA)	-
Total deductions	**(290)**
Total Own Funds	**3.294**

Authorized Share Capital

The authorized share capital of the Company amounts to €6.000 and consists of 6.000 ordinary shares of €1 each.

Issued Share Capital

The Company issued share capital as at 31st December 2018 amounted to 4.400 shares at a face value of €1 each.

Deductions from Own Funds

As at 31st December 2020, the Company deducted from its CET 1 capital its intangible assets (consisting of goodwill and software cost net of amortization), its contribution to the Investors Compensation Fund (“ICF”) and the 3 per thousand additional cash buffer for the ICF as required by CySEC Circulars C162 and C334 respectively, and its AVA relating to the requirements for prudent valuation, based on its fair valued assets and liabilities relating to positions in financial instruments.

Capital Adequacy Ratio

The Company’s Capital Adequacy Ratio for the year ended 31 December 2020 stood at 15,23% which exceeded the minimum required threshold of 10,50% (8% plus buffers, as analysed above).

Large Exposures

As at 31st December 2020 the Company's Banking Book exposure to its fully-owned subsidiary, Tiebreak Holdings Limited, amounted to 3,37% of the Company's Own Funds, thus exceeding the 2% limit for exposures to CIFs' shareholders and their connected persons. The Company reported the breach to CySEC and committed to a course of action in order to ensure that compliance with the said limit is restored within a reasonable timeframe.

Negative Balance Protection

In accordance with the Negative Balance Protection ("NBP") requirement set by the CySEC in its "Dear CEO" letter dated 1st of August 2018, CIFs operating under a €125k Limited License or under a €730k License that collaborate and have in place Liquidity Provider Contractual Arrangements with entities domiciled in a third country not listed in Annex I of the Commission Implementing Decision (EU) 2016/230, as in force, or which is not a member of the G20, are required to have an additional buffer of CET1 Capital of at least: 1) €2.000.000 or 2) equal to 2% of their total risk exposure, whichever is the higher.

5. PILLAR I CAPITAL REQUIREMENTS

5.1 Credit Risk

General

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 no significant concentration of Credit risk, while it uses the Standardised Approach to calculate its Credit risk capital requirements.

Cash balances are held with reputable financial institutions and/or electronic payment providers or payment service institutions in Cyprus, United Kingdom, Germany, Lichtenstein, Netherlands, Bulgaria, Malta, Spain and Sweden, while the Company has policies to limit the amount of credit exposure at any financial institution. The risk of default of these institutions is quite low, based on the relevant calculations of the Company's capital requirements.

All the custodians of the Company have been assessed in accordance with the provisions of the Company's IOM and CySEC Directive DI144-2007-01.

The Company also works with Alternative Payment Methods (APM), which carries Credit Risk. However, this risk is mitigated due to the fact that the amount of assets held with the APM is kept at a reasonable minimum level. Moreover, the Risk Manager with the assistance of the Accounting Function, monitor the levels of assets held with the APM, keeping them at a minimum.

The Company also faces Credit risk due to its Liquidity Provider Naxex Belize Limited, (Belize International Financial Services Commissions License No. IFSC/60/389/TS/19) (hereinafter “NXB”). NXB should be able to pay clients their profits at any point in time. In order to mitigate this risk, the Company performs daily reconciliations with respect to clients’ assets that are held by NXB in order to keep them at a minimum. It is noted that the Company has changed its Liquidity Provider during 2020.

Further to the above, the Company has policies to diversify risks and to limit the amount of Credit risk exposure to any particular counterparty, in compliance with the requirements of CySEC Directive DI144-2007-06.

Capital Requirements

The table below presents the Company’s Credit risk exposure (before and after Credit Risk Mitigation – CRM), average exposure, RWAs and minimum Capital Requirement as at 31 December 2020, broken down by asset class.

Table 4: Analysis of Exposures, RWAs and Capital Requirements by asset class

Exposure Class	31 December 2020 (€ ‘000)				
	Original Exposure	Exposure Amount after CRM	Average Exposure	RWAs	Capital Requirement
Institutions	3.150	3.150	3.845	1.052	**84**
Corporates	937	901	425	901	**72**
Retail	1	-	-	-	**-**
High Risk Items	1	1	1	2	**-**
Other Items	828	828	666	826	**66**
Total	**4.917**	**4.880**	**4.937**	**2.781**	**222**

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

Table 5: Geographical distribution of the exposure classes

Exposure Class	31 December 2020(€ ‘000)					Total
	Bulgaria	Cyprus	Switzerland	Spain	Other Countries	
Institutions	171	2.536	135	221	87	**3.150**
Corporates	-	116	-	85	736	**937**
Retail	-	-	-	-	1	**1**
High Risk Items	-	1	-	-	-	**1**
Other Items	-	461	-	367	-	**828**
Total	**171**	**3.114**	**135**	**673**	**824**	**4.917**

The table below provides a breakdown of the original exposures by residual maturity and asset class:

Table 6: Original Exposure Amount per Exposure Class and Residual Maturity

Exposure Class	31 December 2020 (€ '000)			
	Original Exposure by Residual Maturity			Total
	≤ 3 months	> 3 months	No maturity	
Institutions	2.424	726	-	**3.150**
Corporates	817	120	-	**937**
Retail	1	-	-	**1**
High Risk Items	-	-	1	**1**
Other Items	126	702	-	**828**
Total	**3.368**	**1.548**	**1**	**4.917**

The following table analyses the distribution of the Company's original Credit risk exposures by exposure class and by industry of the counterparty:

Table 7: Original Exposure Amount per Exposure Class and Industry

Exposure Class	31 December 2020 (€ '000)		
	Financial	Other	Total
Institutions	3.150	-	**3.150**
Corporates	162	775	**937**
Retail	-	1	**1**
High Risk Items	-	1	**1**
Other Items	-	828	**828**
Total	**3.312**	**1.605**	**4.917**

Use of External Credit Assessments Institutions' ("ECAI") Credit Assessments for the determination of Risk Weights

The Company uses external credit ratings from Moody's and Standard & Poor's. These ratings are used for all relevant asset classes.

Exposures to rated institutions are risk weighted based on the credit assessment of the institution itself and the residual maturity of the exposure as per Article 120 of the Regulation. 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 are assigned, as specified in Article 121 of the Regulation. Notwithstanding the general treatment mentioned above, short-term exposures to institutions could receive a favorable risk weight of 20% if specific conditions are met.

Exposures to unrated corporate clients were risk weighted with 100% or 150% based on the country of incorporation of the counterparty.

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

The Company has used the credit step mapping table below to map the credit assessment to Credit Quality Steps ("CQS"):

Table 8: Mapping credit ratings to Credit Quality Steps

Credit Quality Step	Standard & Poor's	Moody's
1	AAA to AA-	Aaa to Aa3
2	A+ to A-	A1 to A3
3	BBB+ to BBB-	Baa1 to Baa3
4	BB+ to BB-	Ba1 to Ba3
5	B+ to B-	B1 to B3
6	CCC+ and below	Caa1 and below

An analysis of the Company's exposures before and after Credit Risk Mitigation by CQS is provided in the table below:

Table 9: Exposures before and after Credit Risk Mitigation by CQS

31 December 2020	Exposure amount before Credit Risk Mitigation	Exposure amount after Credit Risk Mitigation
Credit Quality Step	**(€ '000)**	**(€ '000)**
1	-	-
2	72	72
3	152	152
4	-	-
5	907	907
6	-	-
Unrated/Not Applicable	3.786	3.749
Total	**4.917**	**4.880**

Counterparty Credit Risk

Counterparty Credit Risk ("CCR") may be defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial derivative instruments, repurchase agreements and long settlement transactions.

The minimum capital requirement calculated for the Company's open derivative positions as at 31 December 2020 is presented in the following table:

Table 10: Open Derivative Positions

31 December 2020	Positive Fair Value	Negative Fair Value	Nominal Value	Exposure Amount before CRM	Exposure Amount After CRM	RWAs	Capital Required
Type of exposure	**(€ '000)**						
Equity CFDs	5	(18)	580	39	2	2	-

Funded Credit Protection

The Company mitigates its CCR exposure by recognizing the deposits/margin of its counterparties as eligible funded credit protection, in the form of cash collateral. The Company applies the Financial Collateral Comprehensive Method for CRM purposes.

The table below provides separately for each asset class, the total exposure value that is covered by eligible financial collateral, after the application of volatility adjustments.

Table 11: Funded/Unfunded Credit Protection

31 December 2020	Funded Credit Protection	Unfunded Credit Protection
Asset Class	**(€ '000)**	**(€ '000)**
Institutions	-	-
Corporates	36	-
Retail	1	-
High Risk Items	-	-
Other Items	-	-
Total	**37**	**-**

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

Impaired and Past Due exposures

The Company's past due and impaired methodology is provided in Annex II. The Company did not have any past due or impaired assets as at the 31st of December 2020.

5.2 Market Risk

General

Market risk is the risk to value, earnings or capital arising from movements of risk factors in financial markets. This risk includes Foreign Exchange Risk, Interest Rate Risk, Equity Risk and Commodity risk.

Foreign Exchange risk

Foreign Exchange risk is the effect that unanticipated exchange rate changes have on the Company. During the period under review the Company maintained its funds mainly in Euros. Only an insignificant amount of the Company funds was kept in US Dollars.

The Company's Foreign Exchange risk exposure is zero, based on the latest relevant calculations of the Company's capital requirements as at 31 December 2020.

Equity risk

The Company is subject to Equity risk when it acts as a Market Maker when receiving and executing clients' orders in Equity CFDs. The Company monitors its Equity risk exposure by constantly monitoring the Equity CFD products it trades in, also calculating their notional value on a daily basis in order to identify any immediate risk of high exposure. To this end, Equity risk is kept to a minimum as it is monitored through various control mechanisms. The Company's capital requirements for Equity risk as at 31 December 2020 amounted to €87 thousand.

Interest Rate risk

Interest Rate risk is the risk that movements in market interest rates will adversely impact the financial results of the Company. The Company considers Interest Rate risk to be significantly low.

Commodity risk

Commodity risk is the risk of loss from movements in the price of commodities. As at 31 December 2020, the Company was not exposed to Commodity risk as it held no positions in commodity instruments.

5.3 Operational Risk

General

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems, as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

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.

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

Table 12: Operational risk capital requirements

31 December 2020	2018	2019	2020	Average
	(€ '000)	(€ '000)	(€ '000)	(€ '000)
Total Net Income from Activities	4.585	4.202	19.638	9.475
Minimum Capital Requirement (15% of Average Net Income)	**1.421**			

5.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Financial Controller of the Company constantly monitors its cash position to make sure that enough cash is available to meet urgent or imminent obligations, as these fall due. As a result, the Company has never delayed to meet any obligations.

5.5 Regulatory risk

Regulatory risk includes all risks that could lead to a withdrawal of the Company's license to operate or having any condition applied that would adversely impact the Company's activities, as well as the risk of a change in laws and regulations that can materially impact the business.

Regulatory risk faced by the Company includes, among other, the following:

- Compliance Risk;
- Money Laundering Risk;
- Corporate Governance Risk;
- Tax Risk;
- Customers Fair Treatment Risk.

The Company manages Regulatory risk through a control-based environment in which processes are documented and monitored. This is supported by continuous monitoring of Regulatory risk incidents to ensure high levels of compliance.

5.6 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 by clients, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor client service, fraud or theft, client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations, whether such fact is true or false.

The Company has a dedicated Complaints Handling Team under the Compliance Department, to deal with client complaints in order to resolve these in a fair and swift manner, and to ensure compliance with Directive DI144-2007-01, as amended, and R.A.D. 503/2014.

During the period under review, the Monitoring Unit continued to contribute by performing quality controls to the services provided by the Company, handling any complaints investigations and performing brand monitoring in order to identify risks arising from forum comments and discussion or any type of negative publicity. In addition, the Company has established relationships with external legal consultants in order to assist with cases when needed.

Although Reputational risk is continuously assessed and monitored, the Company recognizes that this risk will always exist due to the characteristics of the market in which it operates. For that reason, Reputational risk is considered as a high risk for the Company.

5.7 Business risk

Business risk is the combination of several factors including the underperformance of projected economic results, the drop of market share and high competitive threats resulting in loss of business. The Senior Management is actively involved in the Company's daily operations and stays up to date with the financial standing and its overall position with respect to the strategic goals set. In this way, the Company's strategic plans are efficiently executed. The Company performs quality checks and remains vigilant in order to take actions, if and where needed, in cases of risk of competition.

5.8 Political risk

Political risk could occur as a result of an unfavorable political condition, new legislation/taxation, etc. The Company is monitoring this risk and has procedures in place in order to remain vigilant. However, more research on a global level should be performed.

5.9 Country Concentration risk

Country Concentration Risk could occur as a result of deteriorating financial conditions in a specific country that the Company is highly connected to and from where it receives income. The Company's client base is highly connected to certain European countries, resulting in Country Concentration Risk for the Company. In order to mitigate Concentration Risk, during the period under review the Company enhanced its position in the Swedish and Spanish markets and reduced the impact of the Italian market.

6. REMUNERATION

Senior Management adopts and periodically reviews the general principles of the Remuneration Policy and is responsible for its implementation. Employees in control functions are independent from the business units they oversee, have appropriate authority and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. The remuneration of the senior officers in the Risk Management and Compliance functions is directly overseen by Senior Management in its supervisory function and reviewed by the Board of Directors. The assessment of the performance is set on a sufficient period framework in order to ensure that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and its business risks.

6.1 Fixed Remuneration

Fixed remuneration varies for different positions/roles depending on the position's requirements and consideration of educational background, experience, accountability and responsibility needed for an employee to perform each position/role requirements. The minimum amount of remuneration defined by applicable Employment Law is taken under consideration in defining the remuneration of each employee and is at the Company's sole discretion to pay the employee salary above the minimum amount taking into consideration also standard market practices. The fixed remuneration represents a sufficiently high proportion of the total remuneration, in order to provide the possibility to pay no variable remuneration.

6.2 Variable Remuneration

Variable remuneration, when granted, always co-exists as an additional component on top of base salary. The Company does not provide 100% variable salary to any of its employees.

When remunerating on variable basis, the Company ensures that the composition of such remuneration arrangement focuses on encouraging the right culture and behavior of its employees, while actively discouraging poor practices. The Company works towards shifting the focus away from setting and driving incentives based on variable remuneration and tries to focus on quality of service, regulatory issues and development.

Remuneration consists of all forms of payments or benefits provided directly or indirectly by the Company to relevant persons in the provision of investment and/or ancillary services to clients. It can be either financial (such as cash, shares, options, cancellations of loans to relevant persons at dismissal, pension contributions, remuneration by third parties, e.g. through carried interest models, wage increases) or non-financial benefits in kind (such as career progression, health insurance, discounts or special allowances for car or mobile phone, generous expense accounts, seminars in exotic destinations, etc.).

In determining variable remuneration, the Company ensures that:

- The ratio between fixed and variable components is appropriate, taking into account the best interests of clients.
- The total variable remuneration does not limit the ability of the Company to strengthen its capital base.
- The assessment of the performance is set in a multi-year framework.
- The variable remuneration does not exceed 100% of the fixed remuneration of the annual gross salary of each employee.

As a general rule the Company does not provide variable remuneration that exceeds 100% of the fixed remuneration of the annual gross salary provided to each employee. However, as an exception to the rule, the shareholders of the Company have the authority to approve a higher variable remuneration provided that the overall level of the variable remuneration does not exceed 200% of the fixed remuneration of the annual gross salary of each employee, and subject to satisfaction of specified conditions and procedures.

6.3 Payments Related to Early Termination

The Company must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure or misconduct.

6.4 Payments Related to Compensation or Buy out from Contracts

Remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the Company including retention, deferral, performance and claw-back arrangements.

The aggregate remuneration for those categories of staff whose professional activities have a material impact on the risk profile of the Company for the year ended 31st December 2020, broken down by business area, is presented in the following table:

Table 13: Aggregate Remuneration by Business Area

31 December 2020 (€ '000)				
Business Area	**No. of beneficiaries**	**Fixed (cash) Remuneration**	**Variable (cash) Remuneration**	**Aggregate Remuneration**
Executive & Non-Executive Directors	6	280	-	280
Control functions	3	133	-	133
Brokerage	4	98	-	98
Back Office	7	154	-	154
Other	25	595	-	595
Total	**45**	**1.260**	**-**	**1.260**

Control functions include persons employed in the Internal Audit, Risk Management, Compliance and Anti-Money Laundering Functions. The "other" category includes persons employed in the Dealing on Own Account, Safekeeping, Credit & Loans, Customer Support, Treasury & Accounting, Data Protection, Legal, Information Systems and Marketing Functions.

The following table below provides information on the remuneration of Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable remuneration.

Table 14: Aggregate Remuneration by Senior Management and Other Staff

31 December 2020 (€ '000)				
Position / Role	**No. of Beneficiaries**	**Fixed (cash) Remuneration**	**Variable (cash) Remuneration**	**Aggregate Remuneration**
Senior Management (incl. Executive & Non-Executive Directors)	12	528	-	528
Other staff	33	732	-	732
Total	**45**	**1.260**	**-**	**1.260**

"Senior Management" includes the two Executive and four Non-Executive Directors, the CEO (also an Executive Director), the COO and the head of each function.

During 2020 the Company did not provide any non-cash benefits. In addition, the Company did not make or award any severance or sign-on payments, nor did it pay or award any deferred remuneration, in vested or unvested portions.

Remuneration of Executive Directors

The remuneration of the Executive Directors ensures the Company's continued ability to attract and retain the most qualified Executive Board members and a good basis for succession planning. The remuneration of the Executive Board is assessed annually and developments in market practice are assessed systematically. The remuneration of the Executive Directors consists of a fixed pay. The performance of Executive Directors is assessed once a year. The Annual Report specifies the Executive Directors' remuneration.

Remuneration of Board members

Members of the Board receive a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The basic fee of a Board member is set at a level that reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of Board meetings. No pension contributions are payable on Board members' fees. The amount of payment to Independent Non-Executive Directors is controlled so as to not potentially create incentives for the compromise of independence. The Board may deviate from this policy in individual cases if justified by extraordinary circumstances.

Remuneration of Risk takers and employees in control functions

The remuneration of material risk takers and persons engaged in control functions (including Internal Audit, Compliance, Finance and Risk Management) is subject to strict conditions. Once a year, the Board identifies employees who may take material risks on behalf of the Company and ensures that employees in these functions receive competitive remuneration. The definition of risk takers in the Company must be based on a thorough assessment of roles, responsibilities and actual mandates of positions that could be included as risk-taking positions by the intention of the new legal framework, as well as a sound assessment of risk under the specific characteristics of the Company's business. Special attention must be paid to mandates in relation to financial instruments, investment of Company funds, trading mandates, control and compliance functions and senior managerial responsibilities. In the process of defining Company risk takers, relevant stakeholders and specialists are involved e.g. external legal advisors, risk management, internal legal experts, senior management and business expertise from all relevant business units.

7. LEVERAGE RATIO

The Leverage Ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014 amending the Regulation with regards to the Leverage Ratio. The Company calculates its Leverage Ratio at the end of each quarter.

The minimum requirement for the purposes of the Leverage Ratio is currently set to 3%. The Company's Leverage Ratio as at 31 December 2020 was 66,99%.

The table below provides a reconciliation of accounting assets and Leverage Ratio exposures:

Table 15: Reconciliation of accounting assets and Leverage Ratio exposures

31 December 2020	**Applicable Amounts**
Reconciliation of accounting assets and Leverage Ratio exposures	**(€ '000)**
Total assets as per audited financial statements	7.186
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	35
Adjustments for securities financing transactions "SFTs"	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
Other adjustments	(2.304)
Total Leverage Ratio exposure	**4.917**

The table below provides a breakdown of the Leverage Ratio exposure measure by exposure type:

Table 16: Breakdown of Leverage Ratio exposure measure by exposure type

31 December 2020	Leverage Ratio exposures
Breakdown of Leverage Ratio exposure measure by exposure type	**(€ '000)**
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	5.167
(Asset amounts deducted in determining Tier 1 capital)	(290)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**4.877**
Derivative exposures	
Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	5
Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	35
Total derivative exposures	**40**
Securities financing transaction exposures	
Total securities financing transaction exposures	-
Other off-balance sheet exposures	
Other off-balance sheet exposures	-
Capital and total exposures	
Tier 1 capital	**3.294**
Total Leverage Ratio exposures	**4.917**
Leverage Ratio	**66,99%**

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

Table 17: Breakdown of total on balance sheet exposures by asset class

31 December 2020 (€ '000)	Leverage Ratio exposures
Breakdown of total on balance sheet exposures by asset class	**(€ '000)**
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	**4.877**
Trading Book exposures	-
Baking book exposures, of which:	4.877
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns	-
Institutions	3.150
High Risk Items	-
Corporate	898
Exposures in default	-
Other expenses (e.g. equity, securitizations, and other non-credit obligations assets)	829

Description of the processes used to manage the risk of excessive leverage

The Leverage Ratio is determined and monitored on a quarterly basis based on the calculations under Pillar I. If such monitoring triggers the need for certain actions (an increase in Tier 1 capital and/or a reduction in exposure amounts), these decisions – including the timeline – are prepared by a dedicated cross-functional team consisting of representatives from Finance, Risk and Compliance (this is the same process that is in place for the minimum capital requirements).

Furthermore, it is the Company's intention to consider the impact on the Leverage Ratio while making relevant capital adequacy calculations under Pillar II.

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

The Leverage ratio of the Company over the financial year 2020 ranged between 57,31% in March 2020, to 53,58% in June 2020, to 68,64% in September 2020 and to 66,99% in December 2020. The main reason for this fluctuation is the initial increase and subsequent decrease in the Company's exposure measure from March to December 2020.

8. ANNEXES

ANNEX I

RISK STATEMENT

The strategic objective of the Company is to ensure company success through the quality provision of investment services and activities relevant to the Company's business model, licenses and authorizations. The Company focuses on customer satisfaction and its strategy is pursued within a defined risk appetite.

During the year 2020, the Board of Directors considered the nature and extent of the principal risks that the Company is willing to take to achieve its strategic objective (its risk appetite) and for maintaining sound risk management and internal control systems. The Board reviews and monitors its risk appetite on an annual basis to ensure that it is appropriate and consistent with internal policies.

The Board expresses the Company's risk appetite through a number of key measures that define the acceptable level of risk, across the following categories:

- Credit risk
  - Concentration risk
- Operational risk
  - Third Party Dependency risk
- Market risk
  - Foreign Exchange risk
  - Equity and Commodity Risk
- Regulatory risk
  - Money Laundering and Terrorist Financing risk
  - Compliance risk
- Business risk
- Liquidity risk
- Reputation risk
  - Confidence risk
- Political risk
- Country Concentration risk

The Company's activities are consistent with its risk tolerance levels and establish the overall limits for the main risk exposures, reviewing them systematically and resolving those operations which exceed the powers delegated in bodies lower down the hierarchy.

The following table sets out a number of the key measures used to monitor the Company's risk profile:

Risk Category	Comments	Key Measures
Credit Risk	The Company has no significant concentration of Credit risk while it uses the Standardised Approach for the calculation of the relevant Capital Requirements.	The Company's RWAs for Credit risk are €2.781k, with €222k capital requirement, based on the latest calculations of the Company's capital requirements as at 31 December 2020.
Operational Risk	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. For the calculation of Operational risk in relation to the capital adequacy reports, the Company uses the Basic Indicator Approach.	Based on the relevant calculations, the Company's RWAs and capital requirements for Operational risk are €17.765k and €1.421k respectively.
Third Party Dependency Risk	Third Party Dependency risk exists as the Company outsources its IT Department, Marketing Department, Sales, Customer Support Department and Internal Audit function. The Company also depends on a third-party Liquidity Provider and various financial institutions and payment service providers.	The Company performs due diligence of third-party providers prior to the commencement of the relationship and on a yearly basis. Also, wherever the third party is part of the group of companies to which Depaho belongs, this reduces the risk of non-cooperation or non-fulfilment of its obligations towards the Company.
Foreign Exchange Risk	Foreign Exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair, as well as through the utilization of sensitivity analysis.	The Company's RWAs for Foreign Exchange risk are zero, with no capital requirement being needed, based on the latest relevant calculations of the Company's capital requirements as at 31 December 2020.

<table>
<tr><td>Equity and Commodity Risk</td><td>The Company constantly monitors the financial products in which it trades, calculating the notional value in order to identify any immediate risk of high exposure.</td><td>The Company’s Equity risk exposure is €1.085k, with €87k capital requirement, while its exposure to Commodity risk is zero, based on the latest calculations of the Company’s capital requirements as at 31 December 2020.</td></tr>
<tr><td>Money Laundering and Terrorist Financing Risk</td><td colspan="2">In order to mitigate Money Laundering and Terrorist Financing risks, the Company maintains and updates relevant policies, procedures and controls such as the Client Identification process, Due Diligence process and on-going monitoring of transactions, in line with a risk-based approach.</td></tr>
<tr><td>Compliance Risk</td><td colspan="2">The Company aligns its policies, procedures and control measures according to the relevant applicable laws and regulations of Europe and Cyprus, and other relevant jurisdictions, in order to eliminate any risk of non-compliance with its obligations.

The Compliance Officer reviews of all Company policies, procedures and control measures throughout the year serve to identify any weaknesses or deficiencies and to rectify them immediately or to set a timeframe for relevant corrective actions to be taken.</td></tr>
<tr><td>Business Risk</td><td colspan="2">The Executive Directors are actively involved in the daily operations of the Company and the Board of Directors are kept updated, including the financial standing and overall position of the Company with respect to the strategic goals set. In this way, the Company’s strategic plans are efficiently executed. The Company performs quality checks and remains vigilant in order to take actions if and where needed, in cases of risk of competition.</td></tr>
<tr><td>Liquidity Risk</td><td colspan="2">The Financial Controller monitors on an on-going basis the Company’s cash position to ensure that sufficient cash is available to meet urgent or imminent obligations, as these fall due. As a result, the Company has never delayed to meet any obligations.</td></tr>
</table>

Reputation Risk	In 2020 the Company continued to be assisted by the Advanced Analytics Software installed in 2019, where all calls of all languages of the previous working day are uploaded to the software, and the software indicates the parts of calls that are suspicious of violations by the Customer Support Staff, making the monitoring of Customer Support Staff activity more efficient. In addition, the Company has established relationships with external legal consultants in order to assist with cases when needed. The Company recognizes that Reputational risk will always exist due to the characteristics of the market in which it operates. For that reason, it is considered to be a high risk for the Company.
Confidence Risk	Although this risk is identified, the Company's management recognizes it will always exist due to the characteristics of the market in which it operates. Confidence risk is tolerated and the Company tries to ensure the lowest levels through best execution, ongoing training of its client-facing staff, compliant marketing practices and safekeeping of client funds, at all times.
Political Risk	The Company monitors this risk and has procedures in place in order to remain vigilant. However, further research may be required.
Country Concentration Risk	The Company's client base is concentrated in specific European countries, resulting to country concentration risk. In order to mitigate Concentration Risk, during the period under review the Company enhanced its position in the Swedish and Spanish markets and reduced the impact of the Italian market.

ANNEX II

Impairment

Financial instruments and contract assets
The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's rating agency or BBB- or higher per Moody's Rating Agency.

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Financial assets measured at amortized cost

For financial assets measured at amortized cost, the Company considers evidence of impairment for these assets at both an individual and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.