ISEC Wealth Management Ltd

Pillar III Disclosures and Market Discipline for the year ended 31 December 2019

Under Directive 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

July 2020

CONTENTS

1. GENERAL INFORMATION AND SCOPE OF DISCLOSURES

1.1 Regulatory Requirements

The information below is disclosed in accordance with 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 "Regulation" or the "CRR") and paragraph 32(1) of DI144-2014-14 & 14 (A) and DI144-2014-15 of the Cyprus Securities and Exchange Commission (the "CySEC") for the Prudential Supervision of Investment Firms.

The information that ISEC Holding Ltd (Former Innovative Securities (EU) Ltd) (the ''Company'') and its subsidiaries (the ''Group'') discloses herein relates to the year ended 31st December 2019.

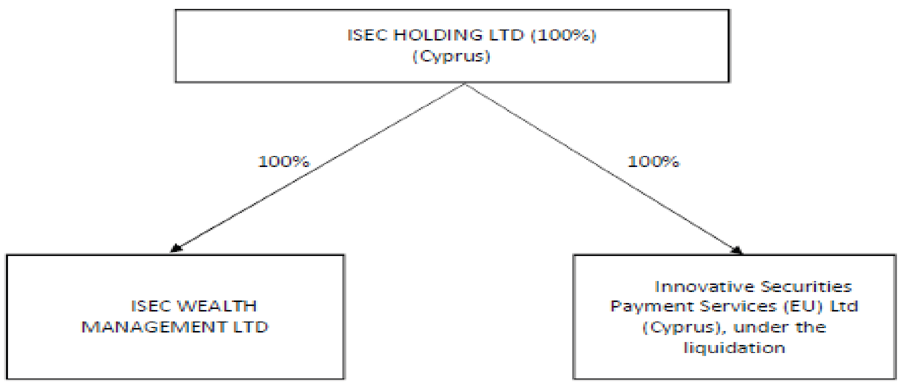
1.2 Company Incorporation and Principal Activities

ISEC Holding Ltd (Former Innovative Securities (EU) Ltd) (the ''Parent Company'') was incorporated in Cyprus on 9 September 2016 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

ISEC Wealth Management Ltd (the "Company") which is a subsidiary of ISEC Holding Ltd, was incorporated in Cyprus on 27 September 2016 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated as a Cyprus Investment Firm ("CIF") by the CySEC since 30 April 2018, under the Law which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (Law 87(I)/2017), and subject to CySEC Rules, with License Number 356/18.

On 14 February 2018, the Company changed its name from Innovative Securities Assets Management (EU) Ltd to ISEC Wealth Management Ltd.

Please see below the ownership structure of ISEC Holding Ltd along with its subsidiaries (the "Group").



The Company is authorized to provide the following investment and ancillary services, in the financial instruments specified below:

<table>
<tr><th>Investment Services</th><th>Ancillary Services</th><th>Financial Instruments</th></tr>
<tr><td>Portfolio management</td><td>Safekeeping and administration of financial instruments, including custodianship and related services</td><td rowspan="2">1. Transferable securities
2. Money-market instruments
3. Units in Collective Investment Undertakings (CIUs)
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
6. Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF
7. Options, futures, swaps and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in paragraph 6 of Part III and not being for commercial purposes which have the characteristics of other derivative financial instruments, having regard to whether, inter</td></tr>
<tr><td></td><td>Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction</td></tr>
</table>

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

1.3 Approval by the Board

The Company discloses information in relation to its risk management structure, policies and procedures and minimum capital requirements on an annual basis. The current Disclosures are based on the consolidated financial statements of the Group as at 31st December 2019. The Disclosures are reviewed and approved by the Board of Directors and are uploaded on the Company's website.

1.4 Scope of Disclosures

The current Disclosures relate to information of the Group on a consolidated basis. This report is prepared using the consolidated financial statements of the Group, as mentioned above.

2. RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

The Company's Risk Management framework encompasses the scope of risks to be managed, the processes/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. This framework is comprehensive enough to capture all significant risks. The Company is exposed to and has flexibility to accommodate any change in business activities.

The Board of Directors ("the Board") has and is accountable for the overall responsibility for the Company's operations; it approves and oversees the implementation of the CIF's strategic objectives, risk prevention strategy and internal governance. In addition, the Board assumes the overall responsibility for risk management and for setting the appetite for each risk.

2.1 Board of Directors

In general, the Board shall consist of at least two (2) Executive Directors and two (2) non-executive independent Directors, and shall not be more than seven (7) persons at a time. During the year under review, the Board of ISEC Wealth Management Ltd consists of two (2) Executive Directors and four (4) non-executive directors, of which the two (2) are also independent. In addition, other than the two (2) non-independent, non-executive directors, the remaining Board members are Cyprus based. The Board of ISEC Holding Ltd (the parent company of ISEC Wealth Management Ltd) consists of one executive director.

The main responsibilities of the Board of Directors are:

2.1.1. Executive Directors

The main duty of the Executive Directors is the day-to-day running and management of the Company's business under delegated authority from the Board. Such responsibilities, include inter alia:

- Implement the Board's policies and strategies
- Control the financial position and performance of the approved budget of the Company
- Ensure that appropriate compliance, internal audit and risk management processes and procedures are in place
- Oversee the different departments within the Company
- Ensure compliance with CySEC requirements and filings
- Review and sign, on behalf of the Company, agreements and other relevant documentation with clients, brokers, counteragents, service providers etc.
- Submit to the Board on an annual basis management response to Compliance, Anti-Money Laundering Compliance, Internal Auditor and Risk Management reports

2.1.2. Non-executive Directors:

The non-executive Directors (ISEC Wealth Management Ltd), in view of their experience are in a position to:

- To understand the nature of the business of the Company's services as performed in the financial market
- To understand their duties and responsibilities in relation to their directorship and in line with the applicable financial services law.

2.1.3. Senior Management ("4-eyes")

The application of the "4-eyes" principles in the management of ISEC Wealth Management Ltd is achieved through the appointment of two (2) experienced and reliable persons as Executive Directors with duties described above.

The 4-eyes team shall consist of at least two (2) individuals approved by CySEC for the position of the
Executive Directors. Any changes in persons which are included in the Senior management definition (i.e. members of the Board and/or members of the "4-eyes" team (if different to the Board members), is subject to prior approval of the CySEC and any changes must be supervised by the Compliance Officer.

2.2 Risk Management Function of ISEC Wealth Management Ltd

As previously mentioned, the Board assumes the overall responsibility for risk management and for setting the appetite for each risk. The Risk Management function, on the other hand, shall operate independently and shall be assigned the monitoring of the following:

- The adequacy and effectiveness of the Company's risk management policies and procedures
- The level of compliance by the Company and its relevant persons with the arrangements, processes and mechanisms adopted
- The adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

The Risk Management function of the Company is constituent from the Risk Management Department (the Risk Manager) reporting directly to the Board.

2.3 Risk Management Department of ISEC Wealth Management Ltd

The Risk Management Department of the Company consists of one (1) person i.e. The Risk Manager. It is an independent unit that reports directly to the Board.

Due to the size of the Company, no Risk Committee has been created yet. However, if the Company's size changes, the organization is willing to adopt one. As a result, the Board's needs, at all times, to ensure that the structure of the Function is at all times appropriate given the size and profile of the Company.

2.4 Risk Manager

The responsibilities of the Risk Manager is to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities and processes.

- Development of administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems;
- Development of risk management policy for clients for the following risks: Market risk, Operational Risk, Foreign exchange risk, Liquidity risk and Credit risk;
- Analyse for the Board and Senior Management the potential hazards associated with the recommended framework on which investment decisions are based, with association of other Company's functions;
- Credit assessment (including quality and financial analysis) of clients when opening a new client account and classification of clients according to the Company's risk criteria and limits;
- Monitoring of credit risk undertaken by the Company for each client and as a whole;
- AML risk management in cooperation with AMLO;
- Building a risk aware culture within the organization and providing the relevant training;
- Maintenance of appropriate internal control systems designed to manage key risk areas;
- Monitor the adequacy and effectiveness of its risk management policies and procedures;
- Monitor the level of compliance by the Company and its employees with the arrangements, processes and mechanisms adopted;
- Monitor the adequacy and effectiveness of measures taken to address any deficiencies in the risk management arrangements and procedures;
- Reporting to Senior Management, at least annually, on risk management issues indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies identified.

2.5 Compliance Officer & AML Compliance Officer

The Compliance Officer ("CO") (as appointed by the Board) heads the Company's Compliance Function and is independent of the Company's activity and reports to the Board. The main responsibility of the CO is to monitor and periodically assess the adequacy and effectiveness of the measures and procedures put in place in accordance with the MIFID II and related legislation.

The CO is appointed to advise and assist the senior managers, Company's officers and any other external staff placed at the disposal or, under the control of the Company, in relation to compliance with their regulatory obligations under MIFID II.

2.6 Internal Audit

The Internal Audit function is outsourced to an external firm. The internal auditor is independent from the other functions and activities of the Company and reports directly to the Board through a written report prepared at least annually, setting out the findings and recommendations arising from the review of the adequacy and effectiveness of the Company's internal control system.

The main scope of the Internal Audit function is to determine the key risks that the Company faces and to examine and evaluate effectiveness of the internal control, risk management and governance systems, in the context of both current and potential future risks, in order to determine how effectively those risks are being managed.

Some of the internal auditor's scope and responsibilities in relation to risk-related issues are the following:

- Ascertaining that the design of the process of controlling, as it has been established and represented by management, is adequately designed in relation to the related risk;
- Reviewing and assessing Company's ICAAP Process;
- To report to the Company's management the important findings and indicate the level of risk associated with each finding relating to the probability of occurrence and potential impact (to the Company, as well as to its clients) offering recommendations for improving the controlling process;
- Review and report on other matters of the regulatory interest, such as finance functions, corporate governance, capital adequacy and liquidity, regulatory and internal reporting.

2.7 Anti-Money Laundering Compliance Officer

Anti-Money Laundering ("AML") compliance function is a separate function and is responsible to ensure compliance with Anti-Money Laundering and Counter Terrorism Financing ("AML/CT") Law and relevant CySEC Directives, as well as the identification and reporting of any money laundering activity to the relevant authorities.

The area of compliance with the AML/TF law shall fall under the responsibility of the compliance function and appointed AML Compliance officer ("AMLCO"). The AMLCO belongs to the management of the Company so as to command the necessary authority, resources and expertise to carry out his/her relevant duties and responsibilities and also has access to all relevant information.

Where it is deemed necessary due to the volume and/or the geographic spread of the services/activities, assistants of the AMLCO should be appointed, by geographical district or otherwise for the purpose of assisting the compliance officer and passing internal suspicion reports to him/her.

The AMLCO reports to the Board.

2.8 Information flow on risk to the management body

The Board is updated regarding any risk issues by the Risk Manager. In addition, it receives reports on risk management, compliance, 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:

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	AML Compliance Officer	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

2.9 Board Recruitment Policy

In relation to the qualifications and education of the Members of the Board, they are university graduates in accounting, financial control, law, economics, finance, while some of them have a master's degree or, a professional qualification relating to financial matters.

All Members had previous Board experience when they joined the Company's Board of at least three (3) years. Due to their substantial work experience and the respective education, most Members share skills related to risk, compliance, finance, strategy, corporate governance, leadership and planning, policy development and more.

2.10 Number of directorships held by Board members

The table below provides the number of directorships that each member of the Company's Board holds at the same time in *other* entities. It shall be noted that, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making 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.

The Board of ISEC Holding Ltd

Name of Director	Position within the Company	Directorships Executive	Directorships Non-Executive
Mr. Darin Ivanov Simeonov	Executive Director	1	-

The Board of ISEC Wealth Management Ltd

Name of Director	Position within the Company	Directorships Executive	Directorships Non-Executive
Mr. Pavlos Kosidis	Executive Director	1	-
Ms. Svitlana Morozyk	Non-Executive Director	1	2
Mr. Darin Ivanov Simeonov	Executive Director	1	-
Mr. Stoyan Konstantinov Stoyanov	Non-Executive Director	3	-
Mr. Andrej Sztojanov	Non-Executive Director	1	-
Ms. Anna Pravdenko Alexandrou	Non-Executive Director	4	2

2.11 Board Declaration

The Company's Board of Directors declares that, the risk management systems that the Company has in place are fully adequate with regard to the Company's profile and strategy.

2.12 Risk Statement

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

3. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through the strive to improve the debt to equity ratio.

The Company's Capital Adequacy Ratio of the Company should at all times be above the 8% minimum requirement. The Company submits the relevant capital adequacy forms to its Regulator on a quarterly basis.

The adequacy of the Company's capital is monitored by reference to the provisions of the CRR and the Capital Requirements Directive ("CRD" or Directive 2013/36/EU), collectively the 'CRDIV package', as well as the CySEC Directives DI144-2014-14 & 14(A) and DI144-2014-15.

The capital requirements regulatory framework is based on three pillars:
(I) Pillar I: Minimum capital requirements
(II) Pillar II: Supervisory review process
(III) Pillar III: Market discipline

Pillar I – Minimum Capital Requirements

The Company adopted the Standardized approach for Credit and Market risk and the Fixed Overheads approach for Operational risk.

- Based on the Standardized approach for **Credit risk**, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to the exposure class to which they belong and based on their respective characteristics.
- The Standardized approach for the capital requirement for **Market risk** considers both the long and short Market risk positions to determine the capital requirement according to predefined models.
- For **Operational risk**, the Company is required to hold eligible capital of at least one-quarter of the fixed overheads based on the most recent audited financial statements of the preceding year.

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

Internal Capital Adequacy Assessment Process ("ICAAP" or "Pillar 2") is an internal tool which allows firms to assess their position and determine the amount of internal capital they need to hold in order to cover the material exposures to all the risk they are facing or against the risks to which they may be exposed to in the future.

The requirement originates from the following factors:

a) Pillar 1 may not cover fully the risks assessed under Pillar 1 calculations, and
b) Pillar 1 does not cover other internal and external risks the financial institution may be exposed to. Therefore, the capital requirements calculated under Pillar 1, do not reflect the real amount of capital to be held to cover all relevant risks.

The continuous process needs to be established and embedded in daily operations to ensure that the risk profile, risk management system and capital allocation are linked together, material risks of the Company are understood by its Board, and that there is sufficient and appropriate risk management which is the responsibility of the managing body of the Company.

The Company is in the process of making an ICAAP Report based on audited figures as of 31st December 2019.

Pillar III – Market Discipline

Market Discipline covers transparency and the obligation of investment firms to disclose the regulatory capital requirements and to provide meaningful information related to their risks, capital, risk management and internal control processes.

4. OWN FUNDS

The Capital Base of the Company is consisted solely of Common Equity Tier 1 capital. Common Equity Tier 1 ("CET1") capital is comprised of share capital, share premium, retained earnings and the audited loss from current year. From Common Equity Tier 1 capital, intangible assets and investors compensation fund (ICF) are deducted in accordance to the CRR provisions.

An analysis of the Company's capital base is presented in Table 1 below:

Table 1: Composition of the capital base of ISEC Holding Ltd and its subsidiaries.

Composition of Own funds	31 December 2019
Description	**EUR '000**
CET1 Capital	
- Share capital	4
- Share premium	1,013
- Retained earnings	(202)
- Profit from current year (audited)	(39)
Total CET 1 capital before deductions	**776**
CET 1 capital deductions	
- Intangible assets and goodwill	(5)
- Contribution to the Investors Compensation Fund	(46)
Total deductions	**(51)**
Total CET 1 capital after deductions	**724**
Tier 1 capital	**724**
Tier 2 capital	**-**
Total Own Funds	**724**

Authorized Share Capital and Issued Share Capital

Company	Authorised share capital	Issued share capital
ISEC Holding Ltd	**10,000**	**4,000**
ISEC Wealth Management Ltd	**10,000**	**5,000**

The Consolidated Capital Adequacy Ratio of ISEC Holding Ltd

The Company's Capital Adequacy Ratio for the year ended 31 December 2019 stood at **49.07%.**

Table 2: Transitional and Fully-Phrased in definition of Own Funds

31 December 2019	Transitional Definition (EUR '000)	Full-Phased in Definition (EUR '000)
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	1017	1017
Retained earnings	(241)	(241)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**776**	**776**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
(-) Intangible assets (net of related tax liability)	(5)	(5)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(46)	(46)
(-) Deferred tax assets that rely on future profitability and arise from temporary differences (net of related tax liability)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(51)**	**(51)**
Common Equity Tier 1 (CET1) capital	**724**	**724**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**724**	**724**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**724**	**724**
Total Risk Weighted Assets	**1475**	**1475**
Capital ratios and buffers		
Common Equity Tier 1 ratio	**49.07%**	**49.07%**
Tier 1 ratio	**49.07%**	**49.07%**
Total capital ratio	**49.07%**	**49.07%**

Definitions:
The CET1 ratio is the CET1 capital of the Company expressed as a percentage of the total Risk Weighted Assets ("RWAs") for covering Pillar 1 risks.

The Tier 1 ("T1") ratio is the T1 capital of the Company expressed as a percentage of the total RWAs for covering Pillar 1 risks.

The Total Capital ratio is the Own Funds of the Company expressed as a percentage of the total RWAs for covering Pillar 1 risks.

5. LARGE EXPOSURES LIMITS

As at 31st December 2019, the Companies (both solo and consolidated) did not have any exposures exceeded the 2% and 1% large exposure limits set by paragraph 61 of CySEC Directive 144-2014-14 & 14(A) with regards to the limits to shareholders, directors and their connected persons respectively.

6. MINIMUM CAPITAL REQUIREMENTS

The total capital requirements of the Company as at 31st December 2019 were €63 thousand and are analysed in the following table:

Table 3: Minimum Capital Requirements

Type of Risk	31 December 2019 (EUR '000)
	Minimum Capital Requirements
Credit Risk	63
Market Risk (Foreign Exchange Risk)	-
Operational Risk (Based on Fixed Overheads)	55
Total Capital Requirements **((MAX((CR + MKR) ; OPR))**	**63**

The Company follows the Standardized Approach for the measurement of its Pillar 1 capital requirements for Credit and Market Risk and the Fixed Overheads Approach for Operational Risk. Total capital requirements for the Firm is the higher of the market and credit risk capital requirements versus the operational risk (using the fixed overhead approach).

6.1 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 reporting date. The Company has no significant concentration of credit risk.

The Company is exposed to credit risk in the following ways:

- Deposits with Credit and Financial Institutions;
- Deposits with Brokers for execution.

The Company developed a Policy which includes the information that will be captured, in order to properly evaluate the Company's counterparties, prior to establishment of a business relationship and thus mitigate the probability of credit risk, occurring from failure of the established counterparty. The said information should be captured, documented, and archived in accordance with the aforementioned policy.

The Management of the Company remains responsible for managing the exposure of the Company to credit risk. In order to manage the risk, the following procedure is implemented:

- Identify the exposures of the Company in credit/counterparty risk;
- Identify and Implement mitigation measures, in order to reduce the exposure in credit/counterparty risk;
- Continuous monitor and report of the said risk.

Managing this risk is of a high importance to the Company, since failure to manage it might lead to loss of funds and the effects might be of a high calibre.

Capital Requirements

As previously mentioned, the Company applies the Standardized Approach for the calculation of its minimum capital requirement for Credit risk.

The table below presents the Company's original exposure to Credit risk and the associated RWAs and minimum capital requirement, broken down by exposure class:

Table 4: Original Exposure Amount, RWAs and Minimum Capital Requirement per Exposure Class

Exposure Class	31 December 2019 (EUR '000)	
	RWAs	Minimum Capital Requirement
Corporates	38	3
Institutions	137	11
Central governments or central banks	35	3
Collective investments undertakings (CIU)	538	43
Equity	25	2
Other Items	13	1
Total	**785**	**63**

The following table presents the Company's original exposure to Credit risk, broken down by exposure class and by risk weight:

Table 5: Original Exposure Amount per Exposure Class and Risk Weight

Exposure Class	31 December 2019 (EUR '000) Original Exposure Amount per Risk Weight		
	20%	100%	Total
Corporates	-	38	**38**
Institutions	19	133	**152**
Central governments or central banks	-	35	**35**
Collective investments undertakings (CIU)	-	538	**538**
Equity	-	25	**25**
Other Items	-	13	**13**
Total	**19**	**782**	**801**

Risk Weighted Assets and Credit Quality Steps

For the credit ratings of countries and counterparties, the Company made use of the ratings of Moody's and mapped them to the corresponding Credit Quality Step ("CQS") in accordance with the mapping below:

Table 6: Mapping credit ratings to Credit Quality Steps

Credit Quality Step	Moody's
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to Baa3
4	Ba1 to Ba3
5	B1 to B3
6	Caa1 and below

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 CRR. 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 CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions can receive the more favourable risk weight of 20% if specific conditions apply. As at 31 December 2019, exposures to corporate clients were risk weighted with 100% since they were all unrated and incorporated in countries with credit assessment up to Credit Quality Step 4.

An analysis of the Company's original exposure in Credit risk by exposure class and by CQS is provided in the table below:

Table 7: Original Exposure Amount per Exposure Class and CQS

Original Exposure Amount per Exposure Class	CQS as at 31 December 2019 (EUR '000)	
	N/A or Unrated	Total
Corporates	38	**38**
Institutions	133	**152**
Central governments or central banks	35	**35**
Collective investments undertakings (CIU)	538	**538**
Equity	25	**25**
Other Items	13	**13**
Total	**782**	**801**

Residual Maturity of exposures

The table below displays the residual maturity of the Company's original exposure to Credit risk, broken down by exposure class, as at 31 December 2019:

Table 7: Original Exposure Amount per Exposure Class and Residual Maturity

Exposure Class	31 December 2019 (EUR '000)			
	Original Exposure by Residual Maturity			Total
	≤ 3 months	> 3 months	N/A	
Corporates	18	20	-	**38**
Institutions	152	-	-	**152**
Central governments or central banks	-	35	-	**35**
Collective investments undertakings (CIU)	-	-	538	**538**
Equity	-	-	25	**25**
Other Items	-	-	13	**13**
Total	**170**	**55**	**576**	**801**

The following table presents the geographical breakdown of the original Credit risk exposures of the Company by exposure class, based on the location of the counterparty (i.e. country of incorporation for legal persons / country of residence for natural persons):

Table 8: Original Exposure Amount per Exposure Class and Country

Exposure Class	31 December 2019 (EUR '000)					Total
	Cyprus	Bulgaria	United Kingdom	Hungary	N/A	

Corporates	18	-	18	2	-	**38**
Institutions	17	133	2	-	-	**152**
Central governments or central banks	35	-	-	-	-	**35**
Collective investments undertakings (CIU)	-	-	-	-	538	**538**
Equity	-	-	-	-	25	**25**
Other Items	-	-	-	-	13	**13**
Total	**70**	**133**	**20**	**2**	**576**	**801**

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

Table 9: Original Exposure Amount per Exposure Class and Industry

Exposure Class	31 December 2019 (EUR '000)			
	Financial / Banking Services	Other	N/A	Total
Corporates	18	20	-	**38**
Institutions	152	-	-	**152**
Central governments or central banks	-	35	-	**35**
Collective investments undertakings (CIU)	-	-	538	**538**
Equity	-	-	25	**25**
Other Items	-	-	13	**13**
Total	**170**	**55**	**576**	**801**

The following table shows the Company's average Credit risk exposure during 2019, analysed by exposure class:

Table 10: Average Exposure Amount per Exposure Class

Exposure Class	Original Exposure Amount	Average Exposure Amount
	(EUR '000)	(EUR '000)
Institutions	152	137
Corporates	38	3
Central governments or central banks	35	
Collective investments undertakings (CIU)	538	
Equity	25	
Other Items	13	18
Total	**801**	**344**

6.2 Market Risk

General

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company applies the Standardized Approach for the calculation of its minimum capital requirement for Market risk.

Foreign Exchange / Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollars. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Capital Requirements

The Company had no capital requirements for Market Risk as at 31st December 2019, since its overall net FX position did not exceed the 2% of Own Funds threshold, due to the fact that the Company did not have any exposures to non-reporting currencies.

6.3 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 following list presents some event types, included in Operational risk:

- Systems & Database Unauthorized Access Risk
- Audit Trail Risk
- The Company's servers and systems malfunction and might lead to loss of data etc.
- A failed process in the Back Office, Accounting & Portfolio Management departments of the Company

The Company Manages Operation Risk using the following measures:

- Established an Internal Audit Function
- Maintains and applies the "4-eyes Principle"
- Maintains a Compliance Function
- Operates a Business Continuity Plan
- Operates an IT Infrastructure policy
- Maintains and Operates Risk Registers for record keeping of the risks;
- Double checks the imported prices in the system.

Capital Requirements

Due to the limited authorization of the Company, the Company falls under Article 95(1) of the CRR and therefore, the calculation of the capital requirements for Operational risk is based on the fixed overheads of the most recent audited financial statements. Under this method, the Company calculates its total RWAs as the higher of the following:

a. The sum of RWAs for Credit and Market risk.
b. Operational RWAs based on the fixed overheads of the most recent audited financial statements.

The following table shows the calculation of the capital requirements for Operational Risk based on the Fixed Overheads Approach:

Table 11: Capital Requirements for Operational Risk under the Fixed Overheads Approach

Operational Risk (Fixed Overheads Approach)	Capital Requirement 31 December 2019 (EUR '000)
25% of the fixed overheads of the preceding year	118

Additional capital requirement due to the Fixed Overheads Approach	690

6.4 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 minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

6.5 Compliance risk

Compliance risk includes exposure to legal penalties or even lapse in its operational activities when the Company fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

6.6 Reputational risk

Reputational risk is a risk of loss resulting from damages to a Company's reputation. It might lead in lost revenue and/or increased operating, capital or regulatory costs and even destruction of shareholder value.

6.7 Fraud risk

Fraud Risk can arise from two sources i.e. Internal and External.

- **Internal** is the fraud arising within the Company. Examples of internal fraud includes: misuse of assets, tax frauds etc.
- **External** Fraud includes fraud that arises externally from the Company e.g. external theft of information.

7. REMUNERATION POLICY

The Remuneration policy and practices reflect the objectives of good corporate governance and sustained, long-term value creation for the shareholders of the Company and is in line with the Company's business strategy and risk tolerance, objectives, values and long-term interests.

The application of the principles set out in the said Policy and thus the exact form of the Policy takes account of the nature and scale of the Company and the complexity of its activities. The Remuneration policy and practices also aim to promote sound and effective risk management to ensure that:

- The Company is able to attract, develop and retain high-performing and motivated employees in a competitive international market
- Employees are offered a competitive and market aligned remuneration package making fixed salaries a significant remuneration component
- Employees feel encouraged to create sustainable results and that a link exists between shareholders customers and employee interests
- In addition to the above Remuneration Policy aims to ensure compliance with the conflict of interest and conduct of business requirements.

The Company strives to verify the employee's remuneration packages reflect the relevant duties and responsibilities, are fair and equitable, linked to their performance both on an individual and on a corporate basis. The Board has set guidelines for the review and control of compliance with the Remuneration Policy. At least once a year, the Board monitors compliance with the Remuneration Policy. If necessary, considering changes or development within the business of the Company, the Board discusses proposals on relevant policy adjustments.

7.1.1 Remuneration Components

The remuneration components are:

- Fixed remuneration: determined based on the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.
- Medical insurance (half year)
- Severance payment, where applicable: payable in accordance with relevant local legislation and applicable collective agreements. For the avoidance of doubt and subject to applicable legislation and collective bargaining agreements, no severance payment agreed from the effective date of this remuneration policy may include any variable remuneration, pension or other benefits.

7.1.2 Board Components

Members of the Board receive a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The fees below are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size and complexity, the responsibilities and the time the Board members are expected to allocate to fulfil their duties as Board members.

7.1.3 Fixed salary Remuneration

The Company follows the principle of the fixed salary remuneration for all employees. All bonuses, if any, will be pre-approved by the Board. All relevant persons mentioned above may also entitled to a yearly wage/ fee increase depending on performance within the team and the Company as a whole, an assessment made based on qualitative criteria. The said persons also receive health insurance coverage (half year payment of the medical coverage).

7.1.4 Avoiding conflicts of interest

The remuneration system incorporated by the Company includes the measures, taken by the Company, in order to avoid conflicts of interest, as set out by the legislation. In this regard, the members of the Company responsible for overseeing the activities shall be independent from the business they oversee and shall be compensated based on the achievement of objectives rather than on the performance of the business they control.

The Remuneration Policy has been designed with aim to avoid the conflict of interests that may arise, specifically to avoid creation of the incentives that may lead the Staff to favour their own interest over the interest of client(s).

In this respect, the remuneration of the Staff shall be assessed prior to launching new product(s) as to avoid any conflict of interest that may rise.

The aggregate remuneration of the Company's personnel, whose activities have a material impact on the risk profile of the Company, for the year ended 31st December 2019, broken down by business area, is presented in the following table:

Table 12: Aggregate Remuneration by Business Area

31 December 2019 (EUR '000)			
Business Area	**Fixed (cash) Remuneration**	**Variable (cash) Remuneration**	**Aggregate Remuneration**
Executive & Non-Executive Directors	73	-	73
Control Functions and Other*	73	-	73
Total	**146**	**-**	**146**

**'Control functions and Other' include persons employed in the Risk, Compliance, AML, Portfolio Management and Business Development Departments.*

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

During 2019 the Company did not provide any non-cash benefits. In addition, the Company did not make any severance or sign-on payments, nor did it pay or award any deferred remuneration, in vested or unvested portions.

8. ANNEXES

ANNEX I: Own Funs - Balance Sheet Reconciliation

Balance Sheet Description as per audited Financial Statements	31 December 2019 (EUR '000)
Share Capital	4
Share Premium	1093[1]
Retained earnings	(202)
Profit for the audited period	(39)
Total Equity as per audited Financial Statements	**856**
Deductions	
(Less: Intangible assets & Goodwill)	(6)
(Less: Contribution to the Investors Compensation Fund)	(46)
Total deductions	**(52)**
Total Own Funds	**804[2]**

[1] It Includes unpaid share capital of €79,984.74 which is removed from the total equity and current assets (exposures)
[2] It Includes unpaid share capital of €79,984.74 which is removed from the total equity and current assets (exposures). If removed the amount of total own funds equals to 724.

Annex II: RISK STATEMENT

The Company follows procedures of the risk-based approach in regard to the risks relevant to the Company's business model.

The risk appetite of the Company reflects the levels and the types of risks the Company is prepared to accept in order to meet its business objectives. It is further defined as the amount and type of risks that are considered being acceptable for implementing its business strategy. Further to the abovementioned, the Board of Directors of the Company is responsible for setting and updating the risk appetite and monitoring the Company's risk profile in order to ensure that is aligned to its business strategy.

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

Risk Type	Risk Tolerance
Credit Risk	"The Company maintains a low risk tolerance for credit risk"
Market Risk	"The Company maintains a medium risk tolerance for market risk"
Operational Risk • **Information Systems Risk** • **Reputational Risk** • **Data Process Risk** • **Outsourcing Risk** • **Fraud Risk** • **Compliance Risk**	"The Company maintains a low Risk tolerance for Information Systems Risk" "The Company maintains a zero Risk tolerance for reputational risk." "The Company maintains a low Risk tolerance for Data Process Risk" "The Company maintains a zero Risk tolerance for Outsourcing Risk" "The Company maintains a zero Risk tolerance for Fraud Risk" The Company maintains a zero Risk tolerance for Compliance Risk"
Regulatory Capital Risk	"The Company maintains a zero Risk tolerance for Regulatory Capital Risk"
Liquidity Risk	"The Company maintains a low Risk tolerance for Liquidity Risk"