

ISEC Wealth Management Ltd

Pillar III Disclosures for the year ended 31 December 2024

Appendix

According to Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

May 2025

TABLE OF CONTENTS

1.	INTRODUCTION	3
1.1	CIF Information	3
1.2	Regulatory Context	4
1.3	Scope of disclosures	5
1.4	Israeli- Palestinian conflict in the Gaza Strip	5
	Russia - Ukraine conflict	5
1.5	5	
2.	RISK MANAGEMENT FRAMEWORK AND GOVERNANCE	6
2.1	Board of Directors	6
2.2	Diversity in the selection of Board members	7
2.3	Number of directorships held by Board members	7
2.4	Risk Management Function	8
2.5	Other governance functions	9
2.6	Organisational Structure	10
2.7	Risk Strategy	11
2.8	Risk Statement	11
3.	PRINCIPAL RISKS	13
3.1	Risk-to-Client	13
3.2	Risk to Market	15
3.3	Risk to Firm	16
3.4	Other Risks	17
4.	OWN FUNDS	18
5.	MINIMUM CAPITAL REQUIREMENTS	20
6.	INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS	23
7.	REMUNERATION POLICY	24
8.	APPENDIX: OWN FUNDS	27

1. INTRODUCTION

1.1 CIF Information

ISEC WEALTH MANAGEMENT LTD (the ‘Company’ or ‘CIF’) was incorporated in the Republic of Cyprus as a private limited liability company with registration number HE 360500 and it is a Cyprus Investment Firm. The Company was licensed by the Cyprus Security and Exchange Commission (hereinafter, the ‘CySEC’) with CIF license No. 356/18 to provide Investment and Ancillary Services, on 30 April 2018, and has a LEI Code 254900UC39ON4POHXJ28.

On 24 May 2021, the Company was granted extension of its license to provide Investment Advice and the following Ancillary Services: Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings, and Investment research and financial analysis or other forms.

The Company is authorised to provide the following **Investment Services**, in accordance with Part I of the First Appendix of the Law 87(I)/2017:

- Portfolio management
- Provision of investment advice

The Company is authorised to provide the following **Ancillary Services**, in accordance with Part II of the First Appendix of the Law 87(I)/2017:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
- Foreign exchange services where these are connected to the provision of investment services.
- Investment research and financial analysis or other forms.

The Company is authorised to provide the aforementioned investment and ancillary services, as applicable for each service, for the following **Financial Instruments**, in accordance with Part III of the First Appendix of the Law 87(I)/2017:

- Transferable Securities
- Money Market Instruments
- Units in Collective Investment Undertakings
- 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.
- 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).
- 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
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to

regular margin calls

- Derivative instruments for the transfer of credit risk
- Financial contracts for differences
- 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 one 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 derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

1.2 Regulatory Context

The capital adequacy and overall risk management requirements that applied until recently to the Company under the EU Capital Requirements Directive 2013/36/EU (“CRD IV”) and EU Regulation No. 575/2013 (the “Regulation” or the “CRR”), have been replaced by amended prudential rules introducing a new classification system for investment firms, based on their activities, systemic importance, size and interconnectedness. In particular, the EU Regulation (EU) 2019/2033 (the “Investment Firm Regulation” or “IFR”) and EU Directive (EU) 2019/2034 (the “Investment Firm Directive” or “IFD”), where the latter has been harmonized into Cyprus legislation through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021).

The new rules introduce several changes to the methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy Assessment Process (“ICAAP”) which is replaced by the Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and a newly introduced Liquidity Requirement according to which they are required to maintain liquidity levels equal to at least one third of their Fixed Overhead Requirement, among others.

The Company is categorized as a Class 2 Investment Firm and it is required to hold €150k of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

The Report has been prepared in accordance with the new regulatory regime for investment firms the European Parliament has adopted, the IFR and the IFD as well as the relevant provisions of the Law 165(I)/2021 “The Prudential Supervisions for Investment Firms Law of 2021” (the “Law”) and the Law 164(I)/2021, amending Law 97(I)/2021, “The Capital Adequacy Investment Firms Law of 2021”.

The IFR establishes the prudential requirements in terms of own funds, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to small and non-interconnected investment firms. Furthermore, IFR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including a new classification system, an amended permanent minimum capital requirement and minimum capital ratios, changes to the calculation of the capital requirements, the reporting requirements and the internal governance policies and the introduction of the K-Factors methodology and new measures relating to liquidity requirements, large exposures and consolidation requirements.

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

Pillar I - Covers minimum capital and liquidity requirements – ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.

Pillar II – ICARA and Supervisory Review and Evaluation Process ('SREP') - regulates the investment firm's accountability to the regulator for capital and liquidity adequacy. If the regulator deems the capital to be insufficient, a corrective requirement can be imposed on the company in the form of what is known as a 'SREP decision'.

Pillar III - Market Discipline requires the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy.

1.3 Scope of disclosures

The Pillar III Disclosures Report (the 'Report') is prepared on an individual (solo) basis in accordance with the disclosure requirements as laid out in Part Six of the IFR. The Report has as a starting point the financial information used in the Company's Financial Statements for the financial year ending on 31st of December 2024 which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). The disclosures must be verified by the external auditors of the CIF. The CIF will be responsible to submit its external auditors' verification report to CySEC. The Company has included its risk management disclosures on its website.

The Company's Pillar III disclosures are published on the Company's website: www.isecwm.com/disclosures

It is noted that, during 2024 the Company was not considered a Significant CIF in accordance with CySEC Circular C487.

1.4 Israeli- Palestinian conflict in the Gaza Strip

As of October 2023, the geopolitical situation in the Middle East has peaked with start of the conflict between Israel and the Palestinian Hamas in the Gaza Strip. This dispute continues and at this stage the Company monitors the political developments in on an ongoing basis. Management has considered the particular circumstances and risks in which the Company is exposed and has concluded that there is no material impact on the profitability of the Company. The above is not expected to have a direct material impact on business activities of the Company. Management will continue to monitor it closely situation and will assess the need for action should the situation be prolonged.

1.5 Russia - Ukraine conflict

On 24 February 2022 Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have slowed down both the Cypriot economy and the world economy, and there is a possibility that they will have a wider impact on the respective economies. The conflict can cause serious consequences to the Cypriot economy, but also globally, which are difficult to assess with accuracy. The main concern at the moment is the rise of inflation, the uncertainty for the tourism industry and financial services and the increase in the price of fuel, which will affect the household incomes and the business operating costs. The Company has been monitoring the current political situation in order to mitigate the effect of this conflict to its business model.

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

As a general principle, 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.

By the end of year under review, the Board of ISEC Wealth Management Ltd consisted 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 main responsibilities of the Board of Directors are:

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

In addition to the above, it should be noted that Messrs. Kosidis and Simeonov, were the two appointed persons acting as the signatories of the clients' accounts in accordance with the provisions of Section 37 of the CySEC's Circular C418 "Enhancement of procedures regarding safeguarding of client funds held by CIFs".

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.

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 Diversity in the selection of Board members

When recruiting members to the Board, the Company is committed to achieve a diverse and inclusive pool of members, with a balance of knowledge, skills, diversity and experience. The Company recognises the importance of diversity in facilitating a variety of independent opinions and a well-rounded approach to the issues facing the Company, understanding the risks and take proper strategic decisions.

2.3 Number of directorships held by Board members

The table below provides the number of directorships that each member of the Company’s Board held at the same time in 2024, in other companies, **excluding ISEC**. 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.

Table 2.2: The Board of ISEC Wealth Management Ltd¹

Name of Director	Position within the Company	Directorships Executive	Directorships Non-Executive
Mr. Darin Ivanov Simeonov	Executive Director	-	2
Mr. Pavlos Kosidis	Executive Director	-	-
Ms. Svitlana Morozyk	Non-Executive Director	1	2
Mr. Stoyan Konstantinov Stoyanov	Non-Executive Director	1	-
Mr. Andrej Sztojanov	Non-Executive Director	1	-
Ms. Anna Pravdenko	Non-Executive Director	1	6

1. The information on this table is based only on representations made by the Directors of the Company

2.4 Risk Management Function

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.

Risk Management Department

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.

Risk Manager

The responsibilities of the Risk Manager are 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 Other governance functions

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.

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:

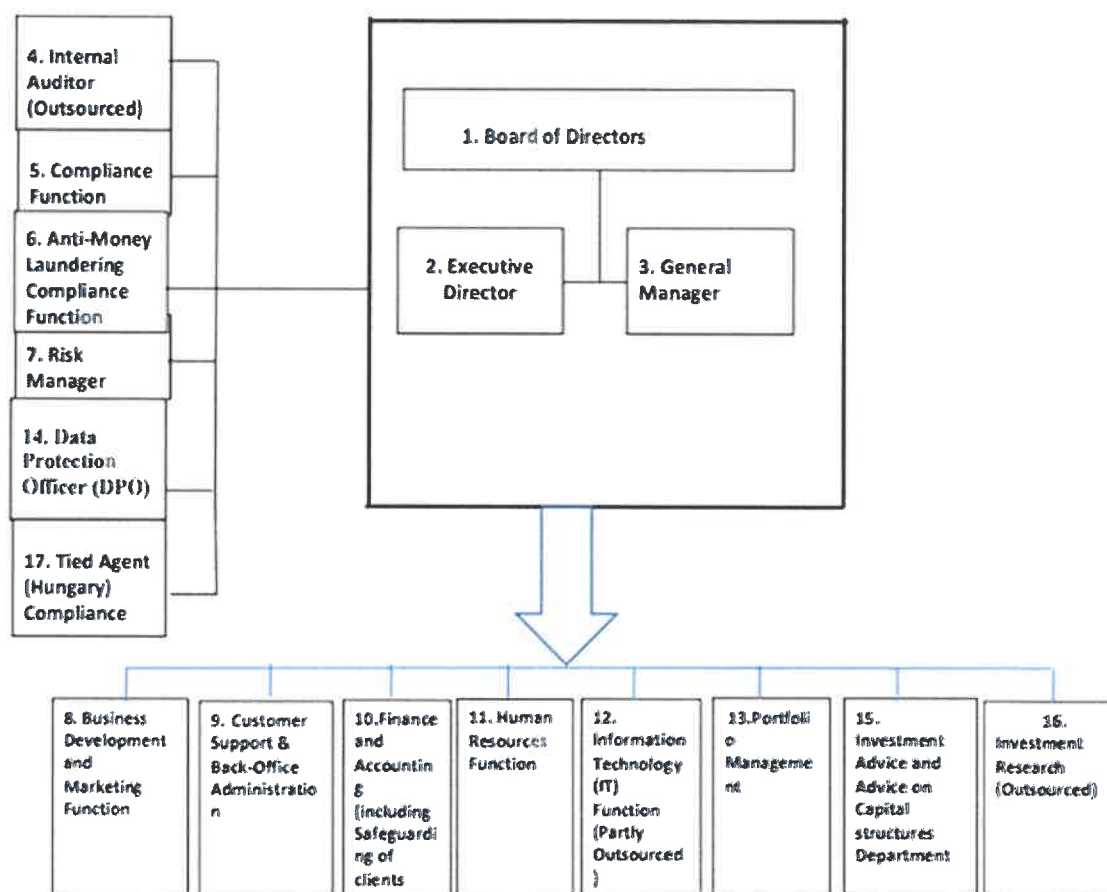
- establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company’s systems, internal control mechanisms and arrangements
- issue recommendations based on the result carried out in accordance with point (a)
- verify compliance with the recommendations of point (b)
- 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 Company shall submit to CySEC the minutes of the meetings of the Board of Directors, during which the report of the Internal Auditor has been discussed. These minutes are submitted to CySEC 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, attached to the said report

Anti-Money Laundering Compliance Officer

The Anti-Money Laundering Compliance Officer 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. It is also noted that the level of remuneration of the AMLCO should not compromise his objectivity, and the persons involved in the compliance function shouldn’t be involved in the performance of services or activities that they monitor. 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.

2.6 Organisational Structure

The Company's organizational structure as at 31 December 2024 is as follows:



Through the said structure, the Company incorporates a strict Internal Governance framework. Furthermore, the Organisational Structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflicts of interest situations within the Company. The Company has in place the Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, Senior Management and staff constituting the Company. Moreover, the Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

2.7 Risk Strategy

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

The risks that arise from the implementation of the Company's strategic and business plans are regularly analyzed in order to ensure the adequacy of the relevant policies, procedures and systems.

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

2.8 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:

Table 2.6: Risk Tolerance

Qualitative Indicators	
Types of Risks	Tolerance level
Operational Risk	Zero tolerance for internal fraud or corruption.
	Low tolerance for external fraud incidents.
	Low tolerance for losses stemming from Employment practices and workplace safety.
	Low tolerance for losses resulting from failure of employees to fulfil their duties
	Low tolerance for losses resulting from failed transaction processing or deficiencies in process management.
Market Risk	Low tolerance for exceeding the limits established in the Risk Management Policy.
Credit Risk	Medium-low tolerance for credit risk.
AML Risk	The Company has zero tolerance for AML (Anti-Money Laundering) and financial crime risks.
Reputational Risk	The Company has zero tolerance for reputational risk
Regulatory Risk	The Company has low tolerance for regulatory risk

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

The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

3. PRINCIPAL RISKS

K-Factors Capital Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. K-factors that apply to an individual investment firm will depend on the MiFID investment services and activities it undertakes.

Capital Requirement from applying K-Factors formula is the sum of Risk to Client (RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF'). The Company calculates its overall "K-factor" capital requirement on a continuous basis in accordance with Articles 16 through to 33 of the IFR (and as described in further detail below).

Further to the above and based on its license and business model, the proxies of RtC, RtM and RtF are applicable to the Company and calculated in 2024 in this respect.

3.1 Risk-to-Client

Risk to Client ("RtC") reflects the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems. RtC exists in the activities/services of the firm which are related to the client and are measured as a percentage of Clients Money Held (CMH), Assets Under Management (AUM), if any, Assets Safeguarded & Administered (ASA) and Clients' Orders Handled (COH).

The Company is required to calculate the following K-Factors requirements as part of the RtC:

- **K-AUM: Assets Under Management**

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets an IF manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

3.1.1 K-AUM

Based on the reference year, as part of its business, the Company provided portfolio management and investment advice services to its clients and to this end, it was subject to the risk captured by this K-factor.

Risk mitigation measures:

Portfolio management means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments. The Company manages client portfolios in a manner that serves, in the best possible way, its client interests. It carries out the service of Portfolio Management, with all due professional care acting in compliance with the rules of the relevant legislation. Moreover, the capital requirement for AUM, are calculated and monitored on an ongoing basis and capital adequacy reports that monitor in detail K-AUM under RtC, are being reported by the Risk Management Department on a quarterly basis to the CySEC.

- **K-CMH: Clients Money Held**

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provided that client money is safeguarded in the event of bankruptcy, insolvency or entry into resolution or administration of the investment firm.

CMH is the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm. It excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to these client funds via a third-party mandate (on segregated or non-segregated basis).

3.1.2 K-CMH

Based on the reference year, as part of its business, the Company received from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it was subject to the risk captured by this K-factor.

Risk mitigation measures:

The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. Furthermore, similarly to K-AUM, relevant capital requirements are calculated and monitored on an ongoing basis and capital adequacy reports that monitor in this k-factor, are being reported by the Risk Management Department on a quarterly basis to the CySEC.

- **K-ASA: Assets Safeguarded and Administered**

K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

ASA means the value of assets that an investment firm safeguards and administers for clients – ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

3.1.3 K-ASA

The Company during the year under review was subject to the risk relating to this K-factor since it was provided safeguarding of financial instruments and assets to its clients.

Risk mitigation measures: For the purposes of safeguarding client's rights in relation to assets belonging to them, the Company:

- 1) Keeps records and accounts in its systems as are necessary to enable it at any time and without delay to distinguish assets held for one client from assets held for any other client, and from its own assets.
- 2) Maintains its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the assets held for clients. The relevant departments are responsible for ensuring the maintenance of the records and accounts.



- 3) Conducts, on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom those assets are held, such as between client bank accounts and the custodian's balances (debit side) and clients' credit balances and financial instrument balances (credit side).

Additionally, and similarly to the aforementioned k-factors, the capital requirements for ASA, are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor K-ASA, are being reported by the Risk Management Department on a quarterly basis to the CySEC.

- **K-COH: Client Orders Handled**

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders.

COH captures the potential risk to clients of an investment firm which executes its orders (in the name of the client). This is the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and execution of orders on behalf of clients.

As part of its business model and license, the Company did not provide such a service and to this end, it was not subject to the risk captured by this K-factor.

3.2 Risk to Market

Risk to Market ('RtM') 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 optimizing the return. There are two K-factors that capture the principal risks under RtM:

- **K-NPR: Net Position Risk**

This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange, and commodities in accordance with CRR (as prescribed by the IFR, the methodology for calculating capital requirements for this K-factor remain the same with the CRR, as amended). Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Company's income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, non-trading book interest rates, non-trading book foreign exchange rates).

During the year under review, the Company was not subject to this k-factor.

Foreign Exchange Risk

The Company is exposed to two types of Market Risk: Market Risk of the investments and Foreign Exchange Risk. Foreign exchange risk is the effect that unanticipated exchange rate changes have on the Company. In the ordinary course of business, the Company is exposed to foreign exchange risk, which is monitored through various control mechanisms. The foreign exchange risk in the Company is

effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of a maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis. The Company's foreign exchange risk capital requirement at year end was NIL due to the very small foreign exchange exposure as at 31st of December 2024.

- **K-CMG (Clearing Margin Given)**

This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty.

Based on the reference year, this K-factor is not applicable to the Company due to the nature of its operations.

3.3 Risk to Firm

Risk to Firm ("RtF") captures an investment firm's exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

- **K-TCD (Trading Counterparty Default)**

K-TCD captures the risk to an investment firm by counterparties to over-the-counter (OTC) derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the investment firm on an ancillary basis as part of an investment service that fail to fulfil their obligations, by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, by risk factors based on CRR, accounting for the mitigating effects of effective netting and the exchange of collateral. This methodology replaces the old Counterparty Credit Risk that used to be applicable under the old framework, CRR.

The Company, throughout the year under review, was not exposed to K-TCD due to its business model and license.

- **K-DTF (Daily Trading Flow)**

K-DTF means the daily value of transactions that a CIF enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that a CIF handles for clients through the R&T of client orders and through the execution of orders on behalf of clients which are already considered in the scope of Clients Orders Handled. No similar risk was captured under the old regime, CRR. DTF aims to capture the operational risks from an CIF's daily trading flow.

The Company was not exposed to DTF in 2024 due to the nature of its operations.

- **K-CON (Concentration Risk)**

K-CON means the exposures in the trading book of an investment firm to a client or a group of connected clients the value of which exceeds the limits specified in IFR. The concentration risk regime applies to all investment firms with exposure limits applicable to all investment firms that deal as principal, even where this is for clients. It is closely based on the CRR's large exposures regime (Large Exposures in the Trading Book Risk), with derogations for non-trading book exposures.

During the year under review, the Company was not exposed to this K-Factor since it was not deal as principal.

3.4 Other Risks

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 risks 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 Company's liquid assets are well above the 1/3 of the total fixed overheads requirement and as such, the Company satisfied the liquidity requirement as at 31/12/2024.

Compliance Risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

Operational Risk (other than Daily Trading Flow)

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The operational risk of the Company includes inter alia: Information Systems Risk, Data Process risk, Outsourcing Risk, Fraud Risk, Legal Risk, Company's Personnel which the company manages using various measures.

Reputational Risk

It is the 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.

4. OWN FUNDS

The new prudential framework for investment firms set out in the IFR and the IFD is designed to reflect better the nature, size, and complexity of investment firms' activities compared to the CRR/CRD framework. One key aspect of the new framework is that it provides for simpler and more bespoke capital requirements for investment firms.

As per the new prudential rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

- a. Common Equity Tier 1 Capital of at least 56% of Own Funds Requirements.
- b. Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
- c. Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirements.

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

Table 4.1 below presents the composition of the Company's Own Funds as at 31st of December 2024, while Table 4.2 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and they have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

As at 31st of December 2024, the Company's Own Funds comprised of Common Equity Tier 1 capital and Tier 2 capital. As shown below, the Company's Own Funds as at 31st of December 2024 amounted to €885k.

Table 4.1: Template EU IF CC1.01 - Composition of Regulatory Own Funds

		(a)	(b)
		Amount (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	OWN FUNDS	885	
2	TIER 1 CAPITAL	848	
3	COMMON EQUITY TIER 1 CAPITAL	848	
4	Fully paid up capital instruments	6	Ref. 1 (Shareholders' Equity)
5	Share premium	843	Ref. 2 (Shareholders' Equity)
6	Retained earnings	(130)	Ref. 3 (Shareholders' Equity)
10	Adjustments to CET1 due to prudential filters	-	Ref. 2 (Assets)
11	Other funds	551	Ref. 3 (Shareholders' Equity)
17	(-) Losses for the current financial year	(386)	Ref. 3 (Shareholders' Equity)
19	(-) Other intangible assets	(0)	Ref. 1 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(36)	Ref. 3 & 4 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	-
40	TIER 2 CAPITAL	37	-
41	Fully paid up, directly issued capital instruments	37	Ref. 1 (Liabilities)

As per the above results, the Company as of 31 December 2024 maintains adequate own funds to cover its capital requirements. The Company monitors the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

Table 4.2: Template EU IF CC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Ref.	Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements	(a)	(c)
		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		As at 31 Dec 2024 (€'000)	
	Total assets	1.118	
	<i>of which:</i>		
1	Intangible assets	1	Ref. 19
2	Financial assets at fair value through profit or loss	17	Ref. 10
3	Investors' compensation fund	31	Ref. 27
4	Additional Cash Buffer (part of Cash and cash equivalents)	5	
	Total liabilities	234	
	<i>of which:</i>		
1	Subordinated Loan (part of Loans and Borrowings)	75	Ref. 41
	Total equity	884	
	<i>of which:</i>		
1	Share capital	6	Ref. 4
2	Share premium	843	Ref. 5
3	Reserves	35	Ref. 6, 11 & 17

5. MINIMUM CAPITAL REQUIREMENTS

The new IFR & IFD framework introduces a different approach for calculating the Minimum Capital Requirements. To this extend, the Company as a Class 2 investment firm shall at all times have own funds at least the highest amount of the Permanent Minimum Capital Requirement (PMCR), Fixed Overhead Requirements (FOR) and the K-Factors Requirement.

A. Permanent Minimum Capital Requirement

The Fixed Overheads Requirement is calculated as one quarter ($\frac{1}{4}$) of the previous year fixed expenses (based on audited figures). The Company monitors its Own Funds on a continuous basis and ensures that they remain well above the Permanent Minimum Capital Requirement of €150k. The permanent minimum capital requirement of the Company is **€150k** as at 31st of December 2024 which is set in accordance with Article 14 of the IFR and Article 9 of the IFD.

B. Fixed Overheads requirement

The fixed overheads requirement (FOR) applies to all CIFs. The FOR is intended to calculate a minimum amount of capital that a CIF would need available to absorb losses if it has cause to wind-down or exit the market. It is calculated as the one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provision of Article 13 of IFR. The Company's fixed overheads requirement based on the latest audited financial statements is €399k.

C. K-Factor Capital Requirement

The new K-Factors are quantitative indicators that reflect the risk that the new prudential regime intends to address. Specifically, capital requirements from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies. The Company calculates its overall "K-Factor" capital requirement on a continues basis in accordance with Articles 16 through to 33 of the IFR. The total K-Factors as at 31st December 2024 amounted to €20k.

As at 31 December 2024, the Company's Minimum Capital Requirement is €150k as shown in the table:

Table 5.1: K-Factors Results

Minimum Capital Requirements		31 Dec 2024 (€'000)
K-Factor Requirement		
Risk-to-Client (RtC)	K-AUM	2
	K-CMH	15
	K-ASA	3
	K-COH	-
Risk-to-Market (RtM)	K-NPR	-
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	-
	K-DTF	-
	K-CON	-
Total K-Factor Requirement		20
Fixed Overhead Requirement ('FOR')		399
Permanent Minimum Capital Requirement ('PMCR')		150

As at 31st December 2024, the Company's Own Funds comprised of Common Equity Tier 1 capital and Tier 2 capital and amounted to €885k which exceeds the Own Funds Requirement of €399k and thus, resulting to a capital surplus.

The Capital Adequacy (CAD) ratio as at 31 December 2024 was calculated at 222%, which was above the 100% minimum CAD ratio.

Table 5.2: Capital Excess/Ratio

	31 Dec 2024 (€'000)	Reference
Capital		
Common Equity Tier 1	848	a
Additional Tier 1	-	b
Tier 2	37	c
Total Own Funds	885	d=(a+b+c)
Own Funds Requirement		
K-factor Requirement	20	e
Fixed Overhead Requirement	399	f
Permanent Minimum Capital Requirement	150	g
Minimum Own Funds Requirement	399	h=(higher of e, f, g)
Capital Excess/Ratio		
Capital Excess	486	d-h
Capital Ratio	221,92%	d/h

6. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS

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

Pursuant to Chapter 2 and Paragraph 18 of the Cyprus Law 165(I)/2021, the Company should establish sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

ICARA includes a Liquidity Adequacy Assessment and Contingent Funding Plan. Internal Liquidity Adequacy Assessment Process (ILAAP) and all its components, including risk elaboration on liquidity risks that are applicable to the firm and a Liquidity stress testing are incorporated within ICARA.

In light of the above, the new ICARA report presents the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward looking capital and liquidity planning.

Additionally, ICARA forms the basis of the Company's Pillar II requirements that the Company views as the additional amount of capital and liquidity it needs to hold against any risks that are not covered by Pillar I.

The latest ICARA report prepared by the Company was based on the audited figures of the year 2023.

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 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.
- Variable remuneration: reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.

7.2 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.

7.3 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 be 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.

7.4 Variable salary Remuneration (currently not applicable to the Company)

When the Company decides to introduce variable elements of remuneration, the following principles shall apply in addition to and under the same conditions as, those set above:

- (a) where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the Company and when assessing individual performance, financial and non-financial criteria are taken into account;
- (b) the assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance and 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;
- (c) the total variable remuneration does not limit the ability of the Company to strengthen its capital base;
- (d) guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle and shall not be a part of prospective remuneration plans;
- (e) guaranteed variable remuneration is exceptional, occurs only when hiring new staff and where the CIF has a sound and strong capital base and is limited to the first year of employment;
- (f) fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- (g) the Company must set the appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:
 - i. the variable component shall not exceed 200 % of the fixed component of the total remuneration for each individual.
 - ii. Shareholders of Company may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 300% of the fixed component of the total remuneration for each individual.

7.4 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.

As a non-Significant CIF, the Company does not have a Remuneration Committee.

7.5 Quantitative information on remuneration

The table below provides aggregate quantitative information on remuneration, broken down by Senior Management (including Executive and Non-Executive Directors) and members of staff whose actions have a material impact on the risk profile of the Company.

Aggregate Remuneration as at 31 st December 2024				
	Number of beneficiaries	Fixed remuneration (€'000)	Variable remuneration (€'000)	Total Remuneration (€'000)
Senior Management	6	261	-	261
Other staff (key Management personnel)	12	323	-	323
Total	18	584	-	584

Note: Category Senior Management & Directors includes the Executives and Non-Executive directors while the Other Staff category all the other staff of the Company.

During 2024 the Company did not award any non-cash remuneration benefits, sign-on payments, outstanding deferred remuneration or severance payments.

8. APPENDIX: OWN FUNDS

		a	b
		Common Equity Tier 1 Capital	Tier 2 Capital
1	Issuer	ISEC Wealth Management Ltd	ISEC Wealth Management Ltd
2	Unique identifier	N/A	N/A
3	Public or private placement	Private	Private
4	Governing law(s) of the instrument	Cyprus Law	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated Loan
6	Amount recognised in regulatory capital	6.000,00 €	37.212,49 €
7	Nominal amount of instrument	6.000,00 €	75.000,00 €
8	Issue price	Various	N/A
9	Redemption price	N/A	N/A
10	Accounting classification	Shareholder's equity	Non-current Liabilities
11	Original date of issuance	27/09/2016 1.000 shares 16/02/2018 1.000 shares 6/12/2018 1.000 shares 19/03/2019 1.000 shares 12/09/2019 1.000 shares 28/12/2020 500 shares 25/10/2021 500 shares	25/6/2021
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	25/6/2027
14	Issuer call subject to prior supervisory approval	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Not before 25/6/2026
16	Subsequent call dates, if applicable	N/A	N/A
17	Fixed or floating dividend/coupon	Floating	N/A
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
22	Existence of step up or other incentive to redeem	N/A	N/A
23	Noncumulative or cumulative	N/A	N/A
24	Convertible or non-convertible	Non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A	N/A
26	If convertible, fully or partially	N/A	N/A



Pillar III Disclosures Report 2024

		a	b
		Common Equity Tier 1 Capital	Tier 2 Capital
27	If convertible, conversion rate	N/A	N/A
28	If convertible, mandatory or optional conversion	N/A	N/A
29	If convertible, specify instrument type convertible into	N/A	N/A
30	If convertible, specify issuer of instrument it converts into	N/A	N/A
31	Write-down features	No	No
32	If write-down, write-down trigger(s)	N/A	N/A
33	If write-down, full or partial	N/A	N/A
34	If write-down, permanent or temporary	N/A	N/A
35	If temporary write-down, description of write-up mechanism	N/A	N/A
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A	N/A