# RYNAT TRADING LIMITED

## MARKET DISCIPLINE & DISCLOSURES REPORT
## (PILLAR III)

According to Directives DI144-2014-14 and DI144-2014-15 of the Cyprus Securities & Exchange Commission for the prudential supervision of investment firms and Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and according to Directive (EU) 2019/2034 and Regulation (EU) 2019/2033

**April 2022**

# Contents

# I. Overview

## CIF Information

Rynat Trading Ltd (the "Company"), being regulated by the Cyprus Securities and Exchange Commission (CySEC), under License No 303/16, which permits the Company to provide investment and ancillary services in relation of financial instruments and to enhance market discipline, hereby discloses information relating to its internal capital adequacy assessment and to mitigation of various types of risks that it faces.

**Table 1 – Company License Information (based on the Third Appendix of the Law 144(I)/2007)**

| | | Investments Services and Activities | | | | | | | | | Ancillary Services | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Financial Instruments | 1 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 2 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 3 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 4 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 5 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 6 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 7 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 8 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 9 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 10 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |
| | 11 | √ | √ | √ | - | - | - | - | - | - | √ | √ | - | √ | √ | - | - |

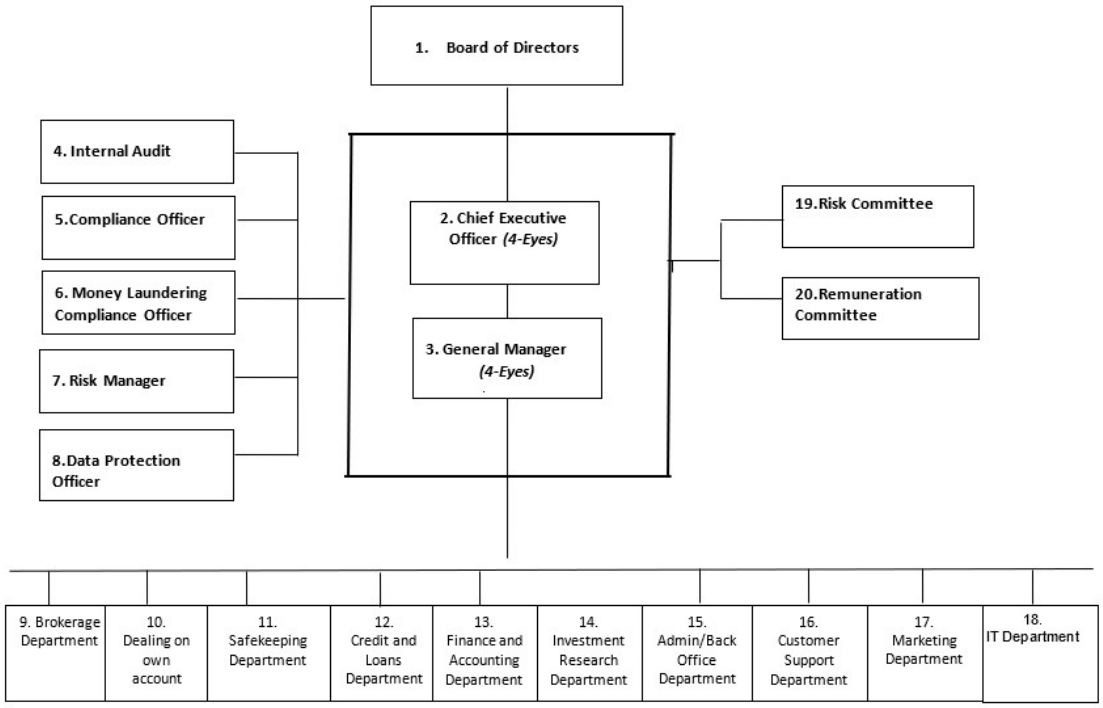
## Scope of Report

This Report has been prepared in accordance with the requirements of Directives DI144-2014-14 and DI144-2014-15 and in accordance with the Law and the European CRD IV/CRR package and IFR (EU 2019/2033) and IFD (EU 2019/2034). This Report contains information in relation to the risks the Company faces and the strategies it has in place to manage and mitigate those risks, its own funds, and its capital adequacy. The Company is making the disclosures on an individual (solo) basis.

The purpose of the report is to assess the compliance of the Company with the requirements arising from the Law and the Directives issued from the Cyprus Securities and Exchange Commission pursuant to the Law, in relation to the procedures followed by the Company for ensuring business continuity.

Annual Reports and Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the Cyprus Company Law, Cap. 113.

## Organisational Structure




## Regulatory Framework

The Regulation (EU) No. 575/2013 ("the Regulation" or "the CRR") is directly applicable as a Single Rule book by all Member State institutions, whereas the Directive 2013/36/EU has been transposed by all member state regulatory authorities into local legislation. The transposed Directive of CySEC is Directive DI144-2014- 14 ("the Directive"). In addition, CySEC has issued Directive DI144-2014-15 which includes some national discretions arising from the Regulation, also is prepared in accordance with the Law and the European CRD IV/CRR package and IFR (EU 2019/2033) and IFD (EU 2019/2034).

The regulatory framework consists of three Pillars:

- Pillar I sets out the minimum capital requirements firms are required to meet;
- Pillar II requires firms to assess their capital requirements in light of any specific risks not captured, or not adequately captured, in the Pillar I calculations; and
- Pillar III seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and Risk Management practices.

The Company has prepared these disclosures in accordance with the requirements of Part Eight of the Regulation.
The information will be published on an annual basis at a minimum, and at the latest within five months from the end of each financial year. The disclosures are based on the audited financial statements of the Company for the year ended 31 December 2020. The Regulation provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for making economic decisions.

Where the Company has considered a disclosure to be immaterial, this was not included in the document.

The Regulation also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive defines proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable.

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

This Report contains information in relation to the risks the Company faces and the strategies it has in place to manage and mitigate those risks, its own funds and its capital adequacy. The Company is making the disclosures on an individual (solo) basis.

This Report together with our External Auditor's verification is submitted to CySEC. The Report is prepared annually and is available on our website http://www.rynattrading.com http://www.thextrend.com.

# II. Risk Management Objectives and Policies

## Approach to Risk Management:

To ensure effective Risk Management, the Company has adopted the Three Lines of Defense model, with clearly defined roles and responsibilities.

First Line of Defense: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company's policies and where appropriate defined thresholds. First Line of Defense acts as an early warning mechanism for identifying (or remedying) risks or failures.

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

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

Each of these three "lines" plays a distinct role within the organization's wider governance framework. Although neither the Board of Directors, nor the senior management are among the three "lines" in this model, no discussion of Risk Management systems, including compliance risks, could be complete without first considering the essential roles of both governing bodies (i.e., the Board of directors and senior management (4 eyes team)). The Board of Directors, and senior management are the primary stakeholders served by the "lines," and they are the parties best positioned to help ensure that the Three Lines of Defense model is reflected in the organization's Risk Management and control processes. The Three Lines of Defense model distinguishes among three groups (or lines) involved in effective Risk Management:

I. Functions that own and manage risks.
II. Functions that oversee risks, which includes the Compliance Function.
III. Functions that provide independent assurance, Internal Audit.

The Board and Senior Management recognize that risk occurs as part of the day-to-day business of the Company. Risk Management embraces the whole spectrum of activities associated with the identification, measurement, monitoring and reporting of risk. The Risk Management framework enables a consistent approach to Risk Management across the Company.

The Company’s risk framework is comprised by the following key components:

- Policies and procedures;
- Organization and governance structure;
- Risk processes and infrastructure

Policies and procedures deal mainly with:

- Overall objective, risk strategy and appetite;
- High level description of approach and minimum risk policy standards; and,
- Relation with other lower level Risk Management and control policies and processes.

Organization and governance deal mainly with:

- Clearly documented roles and responsibilities tied to job description;
- Risk, MLCO/Compliance and Internal Audit functions which provides independent assessment and challenge to the business; and,
- Senior management oversight.

Risk processes and infrastructure deals mainly with:

- Technology to support/enable risk data capture and reporting;
- Supporting methodologies and tools;
- Key risk measures.
- Risk and control assessment process; and,
- Risk monitoring/key risk indicators;

## Risk Appetite Statement

Risk Management in collaboration with the other Control functions, Senior management and Board members, has compiled the Risk Appetite Statement (RAS).

Risk appetite can be defined as the amount and type of risk that the Organisation is willing to take in order to meet their strategic objectives.
Risk appetite and tolerance remain high on the Board's agenda and is a core consideration of the Risk Management framework. Rynat Trading Ltd formulates its Risk Appetite Statement through a combination of qualitative and quantitative metrics, in line with the company’s overall strategy.
The major parameters of the Risk Appetite Statement as was approved by the Board of Directors are concisely summarized below:

The Risk Appetite Statement is reviewed at least annually or more frequently if there are any significant changes in operations, strategy or operating environment. The risk appetite measures are integrated into a dynamic, decision-making, monitoring processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.

The following table sets out several the Key Performance Indicators (KPIs) utilized to monitor the Company’s risk profile:

A short summary of key metrics is illustrated below:

| | RISK APPETITE DASHBOARD STRUCTURE | |
|---|---|---|
| **RISK TYPE** | **METRIC** | **TOLERANCE RANGE** |
| **STRATEGIC/ BUSINESS** | | |
| | Growth | max25% (asset size) |
| **CAPITAL/SOLVENCY** | | |
| | Tier1 Capital Ratio | Min 150% CET1 |
| **CREDIT** | | |
| | Single Name Exposure | <50% of exposure |
| | No of Banking Institutions | Min 3 Banks |
| | No of Liquidity Providers | Min 3 LPs |
| **MARKET** | | |
| | FX Volatily | Monthly 99% VaR < 15% own Funds |
| **OPERATIONAL** | | |
| | Operational Losses as % of Capital | Max 3% of Equity |
| | Recovery time for critical systems | Max 1 hour for recovery |
| | Key Staff Retention | Min 70% of key staff |
| **COMPLIANCE** | | |
| | CySec Admin. fines | 0-zero tolerance |
| **REPUTATIONAL** | | |
| | # Of official customer Complaints | 0-zero tolerance |
| **TRAINING** | | |
| | #Training Courses per year | Min 1 training course |

## The Risk Management function

### Structure and Responsibilities

The Company has put in place procedures in order to ensure that the full spectrum of risks it faces, is properly identified, measured, monitored and controlled to minimize adverse outcomes, while Internal Audit has the responsibility of auditing the Risk Management function and of proposing recommendations, where needed.

The Risk Management function shall be assigned the monitoring of the following:

1. The adequacy and effectiveness of the company's Risk Management policies and procedures.
2. The level of compliance by the company and its relevant persons with the arrangements, processes and mechanisms adopted.
3. 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 Report is prepared on an annual basis regarding the status of the Company's Risk Management policies and procedures and any remedial measures taken to tackle any deficiencies. The report is prepared by the Risk Manager who heads the Company's Risk Management Committee. The report is presented to the Company's Board of Directors for approval and is subsequently submitted to the CySEC.

The Risk Management function is further supported by the following functions:

- Internal Audit.
- Legal and Compliance.
- Accounting.

### Information flow on risk to the management body

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

| | Report Name | Owner of Report | Recipient | Frequency |
|---|---|---|---|---|
| 1 | Risk Management Report | Risk Manager | CySEC, BoDs | Annual |
| 2 | ICAAP/ICARA | Risk Manager | CySEC (upon request), BoDs (upon request) | Annual or more frequent upon management request |
| 3 | Compliance Report | Compliance Officer | CySEC, BoDs | Annual |
| 4 | Internal Audit Report | Internal Auditor | CySEC, BoDs | Annual or more frequent upon management request |
| 5 | Anti-money laundering report | Anti-money laundering Compliance Officer | CySEC, BoDs | Annual |
| 6 | Audited Financial Statements | External Auditor | CySEC, BoDs | Annual |
| 7 | Suitability Report | External Auditor | CySEC, BoDs | Annual |

## III. Corporate Governance

The Board is responsible for reviewing the effectiveness of the Company's Risk Management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and – as such- offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls regarding the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

### Role of the Board of Directors

The Board comprises of 5 directors, 2 independent non-executive directors and 2 executive directors and 1 non-executive.

The Board of Directors, being responsible for monitoring Risk Management – undertakes the following roles:

- approves and periodically reviews risk strategy and policies;
- approves the risk appetite annually and monitors the Company's risk profile against this appetite;
- ensures that management takes steps necessary to monitor and control risks;
- ensures that management maintains an appropriate system of internal control and reviews its effectiveness;
- ensures that the Company's overall credit risk exposure is maintained at prudent levels and is consistent with the available capital;
- reviews and approves changes/amendments to the Risk Management framework;
- reviews and approves Risk Management procedures and controls for new products and activities;
- periodically receives risk reports from the management highlighting key risk areas, controls, failures and remedial action steps taken by the Management (this is to be done at least once every quarter)
- ensures that the Management as well as individuals responsible for credit Risk Management possess the requisite expertise and knowledge to accomplish the Risk Management function;
- ensures that the Company implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk;
- ensures that detailed policies and procedures for risk exposure creation, management and recovery are in place.

The Company is monitoring its risk exposure on a continuous basis.

## Number of Directorships held by members of the Board

All members of the Board commit sufficient time to perform their functions in the Company. The number of directorships which may be held by a member of the Board at the same time shall consider individual circumstances and the nature, scale and complexity of the Company's activities. Unless representing the Republic, members of the Board of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- one executive directorship with two non-executive directorships;
- four non-executive directorships.

For the purposes of the above, the following shall count as a single directorship:

- Executive or non-executive directorships held within the same group.

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

**Table 1- Number of Directorships of the members of the Board of Directors**

| Director | Function | Number of Executive Directorships | Number of Non-Executive Directorships |
|---|---|---|---|
| Mrs. Zilin Hu | Executive Director | 1 | 0 |
| Mr. Michael Shahin Rezaie | Chief Executive Officer | 1 | 1 |
| Mr. Wei Zhang | Non-Executive Director | 0 | 1 |
| Mrs. Eleni Pavlou | Independent, Non-Executive Director | 0 | 2 |
| Mr. Alkis Aloneftis | Independent, Non-Executive Director | 0 | 3 |

## Governance and Committees

### Risk Management Committee

In order to support effective governance and management of the wide range of responsibilities the Board has established the *Risk Management Committee.* The role of the Risk Management Committee is to provide oversight, review and challenge of the material risks both current and future affecting the business whilst ensuring that there is effective management and control of all key risks and issues facing the Company. The members of the Risk Management Committee are the Executive directors, 1 independent Non-Executive Director and the Heads of Dealing on Own Account and Brokerage departments.

The Risk Management Committee, inter alia, scrutinizes, and decides on various risks inherent with the operation of the Company with the view to formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company. Moreover, the Risk Management Committee reviews the Risk Management procedures in place (monitors and controls the Risk Manager in the performance of his duties and the effectiveness of the Risk Management Department).

The Risk Management function operates independently and monitors the adequacy and effectiveness of policies and procedures, the level of compliance to those policies and procedures, in order to identify deficiencies and rectify. The Risk Management Committee is responsible for monitoring and controlling the Risk Manager in the performance of his/her duties.

The Risk Management Committee meets four times a year, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager.

### Internal Audit

The Internal Audit function examines and evaluates the adequacy and effectiveness of the Company's policies, procedures and internal control mechanisms in relation to its legislative obligations. On-site inspections are carried out at the headquarters of the Company, recommendation reports are issued and the Company's compliance with its legislative obligations is verified. An Internal Audit report is prepared on an annual basis and is presented to the Company’s senior management and Board of Directors. The approved report is then sent to CySEC.

### Legal and Compliance

The Company has in place a Legal and Compliance function that establishes implements and maintains adequate procedures that detect the risk of the Company failing to comply with its legislative obligations, adequate measures to minimize its risk of compliance and to assist CySEC in effectively exercising its powers. This function operates independently, monitors and assesses the adequacy and effectiveness of the internal compliance policies and procedures and the actions taken to address any deficiencies. It also acts as an information point to the Company's employees with reference to the Company's legislative obligations. Reports on compliance and anti-money laundering and terrorist financing are prepared on an annual basis and presented to the Company's Senior Management and Board of Directors. As a final step, the reports are submitted to CySEC.

### Accounting

The accounting function plays a key role in the Company complying with its financial reporting obligations to CySEC. The accounting function is responsible for preparing the Company's consolidated financial statements in accordance with applicable accounting standards and rules in order to reflect a fair and true view of the Company's financial position. The financial statements are audited by the Company's External Auditors and presented to the Board of Directors for approval. In addition, the accounting function prepares the appropriate capital adequacy and large exposures forms for submission to CySEC on a quarterly basis in accordance with the Company's legislative obligations.

# IV. Analysis of the Risks faced by the company

The Company could be exposed to credit risk, operational risk, foreign exchange risk, interest rate risk, funding liquidity risk, money laundering and terrorist financing risk, compliance risk, reputation risk and information technology risk. The analysis of the risks included in this Section of the Report describes each type of risk, the measures and policies taken by the Company to manage these risks and the standing of the Company with respect to each risk, as applicable.
On 26 June 2021 a new prudential regime will enter into force for investment firms. The new regime consists of a Regulation ('IFR') and a Directive ('IFD'). The reason for introducing this new regime is that the current CRR/CRD IV regime, which applies to both credit institutions and investment firms, focuses on typical banking risks and therefore is not adapted to the risks run by investment firms. According to the new IFR/IFD rules, the Company is classified as a Class 2 firm:

| Class | Covered firms | |
|---|---|---|
| 2 | Other investment firms than those belonging to category 1 or 3 | |
| 3 | Investment firms that meet the following criteria (Art. 12 IFR): | |
| | K-AUM (assets under management, under both discretionary portfolio management and non-discretionary (advisory) arrangements) | < €1.2 billion |
| | K-COH (the value of the total client orders handled daily) | < €100 billion (cash transactions) or €1 (derivatives) |
| | K-ASA (the total daily assets safeguarded and administered) | Zero |
| | K-CMH (total daily client funds) | Zero |
| | K-NPR (positions in the trading portfolio of an investment firm dealing on own account, either for itself or on behalf of a client) or K-CMG (all positions coming under clearing, or on a portfolio basis if the full portfolio comes under clearing or a margin deposit) | Zero |
| | K-DTF (the value of the total daily trading flow, with carrying weightings for cash transactions and derivatives, carried out in its own name, either for itself or on behalf of a client) | Zero |
| | K-TCD (exposure to trading counterparty default) | Zero |
| | The total of the items in and outside the balance sheet total of the investment firm | < €100 million |
| | The total annual gross income from investment services and activities (average of the last two years) | < €30 million |

The IFD/IFR introduces a risk-weighted, quantitative system, using so-called 'K-factors': quantitative indicators that are considered in order to determine the prudential requirements of an investment firm on the basis of the risks that an investment firm forms for clients (Risk to Clients, 'RtC'), markets (Risk to Market, 'RtM') and itself (Risk to Firm, 'RtF').
For investment firms belonging to Category 2, a capital requirement applies which is the highest of:

- The permanent minimum capital requirement;
- The capital in accordance with the overheads requirement; or
- The K-factor requirement.

## Qualitative risk profile

The company will be measuring its qualitative risk profile which will provide a general risk profile for the company taking into consideration several major and material risks the company might face. The table below provides comments on all the relevant risks the company might be facing and how the company manages the risks.

| Key Risk Category | Overall Comments |
| --- | --- |
| **Liquidity (Own Funds)** | As at the end of 2021 the Company presents a Capital Adequacy Ratio is at 291.07%, well above the minimum requirement of 100%, while the Company's own funds were at EUR 2,183K above the minimum threshold EUR 750K. |
| **Credit Risk** | The Company is in the process of finding more credit institutions to open new bank accounts to further diversify its own funds and better control credit risk exposure. |
| **Market Risk** | The Company is monitoring and maintaining the market risk at acceptable levels. The Company is also looking for more automated ways to better get alerts and monitor its market risk exposure. |
| **Operational Risk** | Operational Risk is medium and in line with the growth of the business |
| **Overall Risk Profile** | The Overall Risk Profile of the Company can be described as of medium risk as there are a number of areas that need monitoring even if the majority of the risks identified are categorised as medium to low risk. |

## K-Factors

An entirely new compared to the current framework is the K-factor requirement. The purpose of the K-factor requirement is to ensure the investment firm holds enough capital appropriate to the risks that the investment firm runs, and the extent of the risks. The K-factors provide for three types of risks:

1. **Risk-to-Client (RtC):**
   - K-AUM: assets under management;
   - K-CMH: client money held;
   - K-ASA: assets safeguarded and administered; and
   - K-COH: customer orders handled.
2. **Risk-to-Market (RtM):**
   - K-NPR: net position risk;
3. **Risk-to-Investment Firm (RtF):**
   - K-TCD: trading counterparty default;
   - K-CON: concentration risk in excess of certain threshold values;
   - K-DTF: daily value of transactions on own account.

For 2021, the Risk-to-Market is calculated as per the CRR but the Risk-to-Client and the Risk-to-Firm are new calculations. The Company has therefore adjusted the Risk Management procedures in order to calculate, assess and monitor the new K-factors. A summary of the 2021 Q4 calculations for the K-factors is shown below:

| | Factor amount | K-factor requirement |
|---|---|---|
| **Item** | **0010** | **0020** |
| **TOTAL K-FACTOR REQUIREMENT** | | 367 |
| **Risk to client** | | 6 |
| Assets under management | - | - |
| Client money held - Segregated | 240 | 1 |
| Client money held - Non - segregated | - | - |
| Assets safeguarded and administered | - | - |
| Client orders handled - Cash trades | - | - |
| Client orders handled - Derivatives Trades | 51,258 | 5 |
| **Risk to market** | | 192 |
| K-Net positions risk requirement | | 192 |
| Clearing margin given | - | - |
| **Risk to firm** | | 169 |
| Trading counterparty default | | 169 |
| Daily trading flow - Cash trades | - | - |
| Daily trading flow - Derivative trades | - | - |
| K-Concentration risk requirement | | - |

The above table highlights that Market Risk (K-net positions risk requirement) and Risk to Firm (Trading counterparty default) are the dominant risk factor for the Company's capital calculations and this is inline with the business model and the risk appetite of the Company. Risk Management has policies and procedures in place to assess and monitor the Company's exposure to Market Risk.

## Concentration Risk

The Company (categorized as Class 2) monitors and controls the concentration risk in regard to the trading book exposures to a client or a group of connected clients in accordance with Part four of IFR. The concentration risk is defined as an investment firm's large exposures to specific counterparties based on the provisions of the CRR that apply to large exposures in the trading book.
In particular, the Company monitors and control their concentration risk so as not to exceed the following limits (per Art.37(1) of IFR):

a) an exposure value with regard to an individual client or group of connected clients shall be 25% of its own funds.
b) Where that individual client is a credit institution or an investment firm, or where a group of connected clients includes one or more credit institutions or investment firms, the limit with regard to concentration risk shall be the higher of 25% of the investment firm's own funds or EUR 150 million provided that for the sum of exposure values with regard to all connected clients that are not credit institutions or investment firms, the limit with regard to concentration risk remains at 25% of the investment firms' own funds.

Under the Capital Requirements Regulation ("CRR" or Regulation (EU) No 575/2013), investment firms shall comply with the requirements limiting large exposures as the excessive concentration of exposures to a single client, or group of connected clients, may result in an unacceptable risk of loss and can be considered prejudicial to the solvency of an investment firm. Limits to large exposures as well as compliance with large exposures requirements are set out in Articles 395 and 396 of CRR

The Company did not report any exposure toward the Directors nor the Shareholders, and had no other exposure exceeding the 100% own funds limit.

## Liquidity Risk and requirements

In accordance with Art. 13(1) of IFR, investment firms under class 2 shall hold an amount of liquid assets equivalent to at least one third (1/3) of the Fixed overhead requirement. The company holds all assets in short-term unencumbered cash deposits. Risk Management has procedures to monitor the liquidity risk and requirements in line with the latest regulations and prudent liquidity management.

| IF 09.00 - LIQUIDITY REQUIREMENTS (IF9) | | |
|---|---|---|
| | | Amount |
| Rows | Item | 0010 |
| 0010 | Liquidity Requirement | 110 |
| 0020 | Client guarantees | - |
| 0030 | Total liquid assets | 410 |
| 0040 | Unencumbered short term deposits | 362 |
| 0050 | Total eligible receivables due within 30 days | 48 |
| 0060 | Level 1 assets | - |

## Credit Risk

Credit Risk arises when failures by counterparties (such as Credit Institutions, to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

Categories of Credit Risk and Mitigation:

I. **Lending Risk:** Lending risk (credit risk) is the risk that a borrower will not make interest and/or principal payments on a loan.

   **Mitigation of Risk**

   In order to manage the Lending Risk, the Company shall monitor constantly its capital adequacy ratio and take appropriate action if it falls below the required limits as set by the current legislation.

II. **Counterparty risk:** is a risk that a counterparty will fail to meet the terms of an agreement. These risk factors cause potential exposures. The potential exposures include (but are not limited to):

   a. Financial loss
   b. Legal and regulatory violations
   c. Negative customer impact
   d. Loss of business opportunities
   e. Public embarrassment
   f. Inefficiencies in the business process

   Risks inherent to the Company are first grouped in categories according to the risk groupings set out above. Then the risk assessment takes place, where the identified risks are assessed in relation to the Likelihood of occurrence and the degree of impact to the Company.

Risk which are identified as High, depending on the outcome of the risk assessment in combined matrix Probability/Impact, are assigned certain levels of controls, which are embedded in the enterprise-wide risk management, and included in the daily operations of the Company.

**Mitigation of Risk**

In order to manage its counterparty risk, the Company shall:

- Accept as counterparty, for the purposes of depositing clients' funds, only financial institutions (including banking institutions) that the Company internally assesses as financially stable. Currently the Company maintains accounts with Astro Bank, bank of Cyprus and Ecommbx.
- All customer funds shall be held in segregated accounts, separated from the company funds, meaning that once received customer funds are deposited by the Company on the customers; behalf. It should be noted that the above-mentioned accounts are held by the Company in a fiduciary capacity and are not represented in the Company's financial statements as asserts or liabilities.
- Assesses the credit quality of its counterparty taking into account its financial position, past experience and other related factors (if there is no independent credit rating by a rating agency).
- Ensures that clients fund their accounts prior to the commencement of trading in financial instruments.
- Has set margin call and stop out levels, at its order execution policy.

## Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The following list presents some event types, included in operational risk, with some examples for each category:

- <u>Internal Fraud</u> - misappropriation of assets, tax evasion, intentional mismarking of positions, bribery.
- <u>External Fraud</u> - theft of information, hacking damage, third-party theft and forgery.
- <u>Employment Practices and Workplace Safety</u> - discrimination, workers compensation, employee health and safety.
- <u>Clients, Products, & Business Practice</u> - market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning.
- <u>Business Disruption & Systems Failures</u> - utility disruptions, software failures, hardware failures.
- <u>Execution, Delivery, & Process Management</u> - data entry errors, accounting errors, failed mandatory reporting, negligent loss of Client assets.

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

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

Risk Management is monitoring Operational Risk through various reports received by the Control Functions as well as direct communication with the relevant departments and reports submitted to Risk Committees and the Board.

## 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 maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis. In addition to the above, Risk Management has established quantitative measures such as Value at Risk (VaR) to statistically estimate potential losses due to currency price volatility.
Value at Risk (VaR) is a widely used risk management measure in finance. It provides an estimate of the potential loss for a portfolio of assets (or currencies) based on the historical performance. There are 3 main elements in the definition of VaR:

1. amount of loss in value or in %
2. time period over which risk is assessed
3. level of confidence or probability of estimated risk

For example, a monthly VaR calculation of 2% at a confidence level of 99% means that the probability of losing more than 2% on a month basis for a certain portfolio is less than 1%.

<u>Categories of Market Risk and Mitigation:</u>

i. **Price risk:** is the risk that a price of securities will change and affect the value of an investment portfolio
ii. **Liquidity risk:** is the risk of loss arising from a situation where (1) there will not be enough cash and/or cash equivalents to meet the needs of the company (2) sale of illiquid assets will yield less than their fair value, or (3) illiquid assets will not be sold at the desired time due to lack of buyers.
iii. **Country/sovereign risk:** is the risk that a country will undergo a significant political or economic change that will reduce the value of an investment portfolio.
iv. **Performance risk:** is the result of potential changes in positions and the market sensitivity of the positions in an investment portfolio.
v. **Market Risk:** is a Risk that the value of an investment will decrease due to moves in market factors.
vi. **Foreign Exchange Risk:** is a risk that foreign exchange (currency pairs) rate will change. This risk is applicable to the Company in two ways:
   a. The Company has risk arising from client positions since in each client's currency pair trade the Company is the counterparty
   b. The Company has currency risk when it holds its own funds in a currency other than the functional currency of the Company.
vii. **Interest Rate Risk:** is the risk that interest rates will change. It can occur since the level of swap rates given to clients may vary according to the level of prevailing interest rates. The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve

or in any other interest rate relationship.

**Mitigation of the above risks**

- The Company will be monitoring the risk exposure on a continuous basis.
- The Company will maintain trading accounts with other regulated Companies for engaging in proprietary positions in financial markets for its own account as a hedging measure and in an attempt to minimize market risk.
- Aggregate net exposures, as they develop from the opening and/or closing of positions by clients, are monitored and a decision is taken by the risk management committee on a constant basis regarding the level of risk to be maintained. Where the risk exceeds the desired levels, appropriate actions are taken to hedge the risk until the desired levels are achieved.
- The company takes all necessary measures to meet its cash or collateral requirements as they arise at a reasonable cost. The company will keep liquidity available while will be able to properly assess risks in order to keep the most working capital and credit available.

## Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments (including currencies) will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk in relation to its bank deposits.

During the year under review, the Company's income and operating cash flows were substantially independent from changes in market interest rates, due to the fact that the Company other than cash at bank which attracts interest at normal commercial rates, had no other significant interest bearing financial assets or liabilities.

None-the-less, the Risk Manager monitors the interest rate fluctuations with the assistance of the accounting function and based on the fluctuations of the relevant rates, the necessary hedging activities will be undertaken, as and where applicable.

## Funding Liquidity Risk

Funding liquidity risk is the possibility that, over a specific horizon, the Company will be unable to meet its demands/needs for money (i.e. cash/liquidity) through mismatch of assets and liabilities (i.e. the ability to settle obligations with immediacy).

For the year under review, the Company did not appear to be exposed to funding liquidity risk.

Policies and procedures for the measurement and management of the Company's net funding position and requirements, on an ongoing and forward-looking basis, have been established in order to mitigate any funding liquidity risk.

In addition to the above policies, Risk Management assesses and measures on a monthly basis the liquidity ratio (such as short-term assets vs total assets) and monitors the exposure and the concentration to LPs and Banks.

## Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk that the Company may be used as a vehicle to launder money and/or finance terrorism. The Company has policies, procedures and controls in place in order to mitigate the money laundering and terrorist financing risk. Among others, these policies, procedures and controls include the following:

a) the adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risk faced by the Company,

b) the adoption of adequate Client Due Diligence and Identification Procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk,
c) setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information, documentary evidence),
d) obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction,
e) the adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risk faced by the Company,
f) on-going monitoring of high-risk Clients' transactions and activities, as applicable,
g) Ensuring that the Company's personnel receive the appropriate training and assistance.

During the year under review, the Company maintained its policies, procedures and controls with respect to money laundering and terrorist financing and provides, inter alia, details and further information with respect to the abovementioned measures (points (a) to (g)).

The aim of the Company is for the materialization of the Money Laundering and Terrorist Financing risk to be minimized to the lowest possible level and, as such, the Company has reviewed and examined in detail the latest Compliance Officer recommendations with respect to anti-money laundering issues and shall take the relevant rectifying measures and actions, as and when required.

The Risk Manager, after reviewing the annual report for Prevention of Money Laundering & Terrorist Financing, agrees with the recommendations of the Compliance Officer, notably with the suggestions regarding

- further automation (minimising manual checks and optimising transaction monitoring),
- implementation of the new AML directives,
- resources/staff for the Compliance function

## Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company to financial loss, fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts.

During the year under review, the Compliance Officer of the Company undertook on-site inspections in order to assess the Company's compliance with the regulatory framework. Following the inspections, the CO provided the Company with a list of recommendations for improvement in different compliance related areas.

The Company's aim is for the materialisation of the Compliance risk to be minimised to the lowest possible level and, as such, the Company has reviewed and examined in detail the CO's recommendations and shall take all necessary remedy measures/actions in order to fully comply with the regulatory framework.

Furthermore, Company's Compliance Officer has initiated an ongoing program to supervise and examine in detail the level of compliance of certain areas of the Company with the relevant legislation in light of any deficiencies identified during the year under review, propose remedy measures/actions, and provide the relevant training to the Company's personnel, as and when required.

The Risk Manager has noted that there are no high risk findings regarding the Compliance function and its objectives from the Internal Auditor and endorses all recommendations and suggestions from the Compliance officer.

## Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by Clients, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large Clients, poor Client service, fraud or theft, Client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations whether such fact is true or false.

The Company has policies and procedures in place when dealing with possible Client complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with Client complaints is low as the Company does its best to provide high quality services to its Clients.

In addition to the above, it should be noted that the Company's Board members and Senior Management comprise experienced professionals who are recognised in the industry for their integrity and ethos, and, as such, add value to the Company.

For 2021, no complaints were reported.

## Information Technology Risk

Information Technology (hereinafter, "**IT**") risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Company's IT. Specifically, policies have been implemented regarding backup procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures.

The aim of the Company and the Risk Management function is for the materialisation of the IT risk to be minimised to the lowest possible level. As such, the Risk Manager shall take the respective rectifying measures, as and when deemed necessary. In addition to the above, the Risk Manager has increased the direct communication (in the form of meetings and received reports) with the IT department and the review of IT related reports, policies and procedures. Furthermore, the Risk Manager has reviewed IT related recommendations from Internal Audit (focusing mainly in areas of IT security, disaster recovery and business continuity) and monitors the progress of the implementation with the assistance of the other Control Functions and the Board.

For 2021, no significant IT/Business Continuity/Operational issues were reported to Senior Management.

## Risk of Excessive Leverage:

Risk of excessive Leverage is described as the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The leverage ratio of the Company is calculated using the fully phased in definition of Tier 1 capital. Currently, a 3% minimum limit is being in place for monitoring purposes.

As at December 31, 2021, the leverage ratio of the Company was equal to 30% using a fully phased-in definition of Tier 1 Capital.

# V. Capital Management

## Capital Requirements, Capital Adequacy Ratio and Own Funds

This is the risk that the Company will not comply with capital adequacy requirements or may not be able to continue as a going concern. The primary objective of the Company with respect to capital management is to ensure that the Company complies with the imposed capital requirements of Section 67 of the Law with respect to its own funds and that the Company maintains healthy capital ratios in order to support its business and to maximize shareholders' value and optimise its debt and equity balance. The Company must have own funds which are at all times more than or equal to the sum of its capital requirements. In addition, they must not fall below the level of its initial capital in no case.

With the entry into force of the Investment Firms Regulation (EU) 2019/2033 ('IFR') and Investment Firms Directive (EU) 2019/2034 ('IFD') on 26th June 2021, all Cyprus Investment Firms ('CIFs') authorised under the Investment Services and Activities and Regulated Markets Law of 2017 will be subject to a new prudential regime, different and independent from the previously applied Regulation EU No. 575/2013 (CRR) and Directive DI144-2014-14.

Class 2 Investment firms shall, at all times have own funds as the highest of the following (Art.11 – IFR):

***a) The fixed overheads requirement (Art.13 – IFR):***

At least one quarter (¼) of the fixed overheads of the preceding year.

***b) The permanent minimum requirement (Art. 14 – IFR)***

The permanent minimum capital requirement of an investment firm is at least the initial capital requirement (see point 8 above).

***c) The K-factor requirement***

The K-factor requirement shall amount to at least the sum of the RtC, RtM and RtF

CySEC may impose additional capital requirements for risks not covered by Pillar I of Basel II. The Company is further required by the Law to report on its capital adequacy on a quarterly basis. The Senior Management as well as the Risk Manager monitor such reporting and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.

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

During the year under review, the Company's own funds never dropped below the minimum initial capital requirement (i.e. 750,000 Euro under the new IFD/IFR regime) and the Company fulfilled its obligations by successfully submitting, on a monthly basis, the Capital Adequacy and Large Exposures Reports.

Moreover, the minimum Capital Adequacy Ratio (i.e. 8%/100%) was maintained by the Company during the year under review. In this respect, the Table below illustrates the Company's Capital Adequacy Ratio for each quarter of the year 2021.

| Quarter in 2021 | Company's Capital Adequacy Ratio |
|---|---|
| 1st Quarter | 23.63% (CRR, min 8%) |
| 2nd Quarter | 23.63% (CRR, min 8%) |
| 3rd Quarter | 307.73% (IFD/IFR, min 100%) |
| 4th Quarter | 291.07% (IFD/IFR, min 100%) |

The Company's Own Funds, Capital Requirements and Capital Adequacy Ratio reported as at 31st of December 2021 ,were the following:

| Audited | **31/12/2021** |
|---|---|
| | **Euro '000** |
| **Eligible Own Funds** | |
| Own Funds | 2,183 |
| **Total Eligible Own Funds** | **2,183** |
| | |
| **Risk Weighted Exposure** | |
| Permanent minimum capital requirement | 750 |
| Fixed Overhead requirement | 736 |
| Total K-Factor requirement | 367 |
| **Total Capital Requirements** | 750 |
| **Capital Adequacy Ratio** | **291.07%** |

## Internal Capital Adequacy Assessment Process

In 2021, the new prudential regime for investment firms set out in the EU Investment Firms Directive and Regulation (IFD and IFR) respectively introduces a new capital adequacy and risk assessment and supervisory review and evaluation process (ICARA). Investment firms must assess and maintain internal capital and liquid assets sufficient 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. The ICARA requirements include an obligation on the firm to maintain documentation setting out appropriate strategies and processes to ensure that it is able to meet the requirements.

The ICARA report:

- reflects the risks to which the firm is exposed and the amount of risk it poses to clients and to markets;
- applies a forward-looking approach to consider how these risks could evolve throughout the economic cycle;
- determines the appropriate level of financial resources required to cover these risks beyond what is covered under 'Pillar 1';
- considers business model viability and the strategy's sustainability, including through reverse stress testing, to determine vulnerabilities in the business model; and
- considers necessary financial resources and planning to allow for a credible wind-down of the Company if it closes

For the scenarios and projections used for the 2020-2023 ICAAP/ICARA calculations (including stress testing and capital requirements), the Risk Manager -in conjunction with Accounts, Compliance and the Board- has implanted a more conservative outlook in terms of revenue growth and net profitability, k-factors stress scenarios as well as other stress scenarios for the Recovery calculations. Risk also acknowledges that the impact of the regulation was not fully assessed at the time of the report and may update the ICARA accordingly.

## Own funds

The below table shows the own funds of the company and the category the company falls under for its own funds requirements, greatest of the 3(Fixed overheads, K-factors or Minimum capital requirements). In the end of the table we can see the CET1 Ration the company had as of 31/12/2021.

| | **2021** |
|---|---|
| | €000 |
| COMMON EQUITY TIER 1 CAPITAL | 2,183 |
| ADDITIONAL TIER 1 CAPITAL | - |
| TIER 1 CAPITAL | 2,183 |
| TIER 2 CAPITAL | - |
| | |
| TOTAL OWN FUNDS | 2,183 |
| | |
| | |
| OWN FUNDS REQUIREMENTS | |
| Permanent minimum capital requirement | 750 |
| Fixed overhead requirement | 736 |
| Total K-Factor Requirement | 367 |
| Total own funds requirement | 750 |
| | |
| CET 1 Ratio | 291.07% |
| Tier 1 Ratio | 291.07% |
| Own Funds Ratio | 291.07% |
| | |
| Transitional requirement based on CRR own funds requirements | - |
| Transitional requirement based on fixed overhead requirements | - |
| Transitional requirement for investment firms previously subject only to an initial capital requirement | - |
| Transitional requirement based on initial capital requirement at authorisation | - |
| Transitional requirement for investment firms that are not authorised to provide certain services | - |
| Transitional requirement of at least 250 000 EUR | - |
| Total own funds requirement (including Transitional Requirements) | 750 |
| | |
| CET 1 Ratio (including Transitional Requirements) | 291.07% |
| Tier 1 Ratio (including Transitional Requirements) | 291.07% |
| Own Funds Ratio (including Transitional Requirements) | 291.07% |

The below tables show the templates according to Article 49 of Regulation (EU) 2019/2033.

**EU IF CC1.01 – Composition of regulatory own funds (Investment firms other than small and non-interconnected):**

| | Amounts | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
|---|---|---|
| Common Equity Tier 1 (CET1) capital: instruments and reserves | | |
| OWN FUNDS | 2,182,322 | |
| TIER 1 CAPITAL | 2,182,322 | |
| COMMON EQUITY TIER 1 CAPITAL | 2,182,322 | |
| Fully paid up capital instruments | 10,000 | 1 |
| Share premium | 2,040,000 | 2 |
| Retained earnings | 221,534 | 3 |
| Accumulated other comprehensive income | | |
| Other reserves | | |
| Minority interest given recognition in CET1 capital | | |
| Adjustments to CET1 due to prudential filters | | |
| Other funds | | |
| (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | -89,212 | |
| (-) Own CET1 instruments | | |
| (-) Direct holdings of CET1 instruments | | |
| (-) Indirect holdings of CET1 instruments | | |
| (-) Synthetic holdings of CET1 instruments | | |
| (-) Losses for the current financial year | | |
| (-) Goodwill | | |
| (-) Other intangible assets | -1,350 | 4 |
| (-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities | | |
| (-) Qualifying holding outside the financial sector which exceeds 15% of own funds | | |
| (-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds | | |
| (-) CET1 instruments of financial sector entites where the institution does not have a significant investment | | |
| (-) CET1 instruments of financial sector entities where the institution has a significant investment | -1,000 | 4 |
| (-)Defined benefit pension fund assets | | |
| (-) Other deductions | -1,000 | 4 |

| | | |
|---|---|---|
| CET1: Other capital elements, deductions and adjustments | -85,862 | 5 |
| ADDITIONAL TIER 1 CAPITAL | | |
| Fully paid up, directly issued capital instruments | | |
| Share premium | | |
| (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 | | |
| (-) Own AT1 instruments | | |
| (-) Direct holdings of AT1 instruments | | |
| (-) Indirect holdings of AT1 instruments | | |
| (-) Synthetic holdings of AT1 instruments | | |
| (-) AT1 instruments of financial sector entities where the institution does not have a significant investment | | |
| (-) AT1 instruments of financial sector entities where the institution has a significant investment | | |
| (-) Other deductions | | |
| Additional Tier 1: Other capital elements, deductions and adjustments | | |
| TIER 2 CAPITAL | | |
| Fully paid up, directly issued capital instruments | | |
| Share premium | | |
| (-) TOTAL DEDUCTIONS FROM TIER 2 | | |
| (-) Own T2 instruments | | |
| (-) Direct holdings of T2 instruments | | |
| (-) Indirect holdings of T2 instruments | | |
| (-) Synthetic holdings of T2 instruments | | |
| (-) T2 instruments of financial sector entities where the institution does not have a significant investment | | |
| (-) T2 instruments of financial sector entities where the institution has a significant investment | | |
| Tier 2: Other capital elements, deductions and adjustments | | |

**EU IF CC2: Own funds: Reconciliation of regulatory own funds to balance sheet in the audited financial statements:**

| | | Balance sheet as in published/audited financial statements | Under regulatory scope of consolidation | Cross reference to EU IF CC1 |
|---|---|---|---|---|
| | | As at period end 31/12/2021 | As at period end | |
| **Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements** | | | | |
| **1** | **Non - Current Assets** | | | |
| | **PPE** | 15,721.00 | | 4 |
| | **ICF** | 85,862.00 | | 5 |
| **2** | **Current Assets** | | | |
| | **Trade and other receivables** | 1,964,270.00 | | |
| | **Other investments** | 1,000.00 | | |
| | **Cash at bank and in hand** | 904,787.00 | | |
| | **Total Assets** | **2,971,640.00** | | |
| **Liabilities - Breakdown by liability classes according to the balance sheet in the published/auditied financial statements** | | | | |
| **1** | **Current Liabilities** | | | |
| | **Trade and other liabilities** | 678,859.00 | | |
| | **Current tax liabilities** | 21,247.00 | | |
| | **Total Liabilities** | **700,106.00** | | |
| **Shareholders' Equity** | | | | |
| **1** | **Share Capital** | 10,000.00 | | 1 |
| **2** | **Share Premium** | 2,040,000.00 | | 2 |
| **3** | **Retained Earnings** | 221,534.00 | | 3 |
| | **Total Shareholders' equity** | **2,271,534.00** | | |

**EU IF CCA: Own funds: main features of own instruments issued by the firm:**

| | |
|---|---|
| Issuer | N/A |
| Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| Public or private placement | N/A |
| Governing law(s) of the instrument | N/A |
| Instrument type (types to be specified by each jurisdiction) | N/A |
| Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | N/A |
| Nominal amount of instrument | N/A |
| Issue price | N/A |
| Redemption price | N/A |
| Accounting classification | N/A |
| Original date of issuance | N/A |
| Perpetual or dated | N/A |
| Original maturity date | N/A |
| Issuer call subject to prior supervisory approval | N/A |
| Optional call date, contingent call dates and redemption amount | N/A |
| Subsequent call dates, if applicable | N/A |
| *Coupons / dividends* | N/A |
| Fixed or floating dividend/coupon | N/A |
| Coupon rate and any related index | N/A |
| Existence of a dividend stopper | N/A |
| Fully discretionary, partially discretionary or mandatory (in terms of timing) | N/A |
| Fully discretionary, partially discretionary or mandatory (in terms of amount) | N/A |
| Existence of step up or other incentive to redeem | N/A |
| Noncumulative or cumulative | N/A |
| Convertible or non-convertible | N/A |
| If convertible, conversion trigger(s) | N/A |
| If convertible, fully or partially | N/A |
| If convertible, conversion rate | N/A |
| If convertible, mandatory or optional conversion | N/A |
| If convertible, specify instrument type convertible into | N/A |
| If convertible, specify issuer of instrument it converts into | N/A |
| Write-down features | N/A |
| If write-down, write-down trigger(s) | N/A |
| If write-down, full or partial | N/A |
| If write-down, permanent or temporary | N/A |
| If temporary write-down, description of write-up mechanism | N/A |
| Non-compliant transitioned features | N/A |
| If yes, specify non-compliant features | N/A |

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

In order to meet the requirements for disclosure of the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, the company discloses the capital instruments' main features as outlined below:

**Table 7**

| **Capital Instruments Main Feature** | **CET1** | |
|---|---|---|
| Issuer | Rynat Trading Limited | |
| **Regulatory Treatment** | | |
| Eligible at Solo/(sub-)consolidated/solo | Solo | |
| Instrument type | Common Equity | |
| Amount recognized in regulatory capital | €2050k | |
| Nominal amount of instrument | €2050k | |
| Issue Price | Various | |
| Accounting classification | Shareholders' Equity | |
| Original date of issuance | €1k | 09/06/2015 |
| | €124k | 17/08/2016 |
| | €97k | 31/08/2016 |
| | €500k | 19/09/2017 |
| | €340k | 13/12/2017 |
| | €230k | 18/01/2018 |
| | €378k | 14/06/2018 |
| | €170k | 17/07/2018 |
| | €75k | 18/06/2019 |
| | €135k | 16/04/2020 |
| Perpetual or dated | Perpetual | |
| Original maturity date | No maturity | |
| Issuer call subject to prior supervisory approval | No | |
| **Coupons / dividends** | | |
| Fixed or floating dividend/coupon | Floating | |
| Coupon rate and any related index | N/A | |

# VI. Remuneration and Recruitment Disclosures

## Recruitment policy

The Board of Directors will submit request to HR prior to the recruiting candidate for the Board of Directors. It is the responsibility of the Board of Directors to find, assess and short list candidates for the Board of Directors. The short-listed candidates must have sufficient experience and knowledge and devote the time needed to perform the job required by the Board of Directors effectively.

## Remuneration Policy

The Company's remuneration disclosure is subject to the principle of proportionality, which considers the scale, nature and complexity of activities of the Company. The Company's remuneration policy is set by the Board of Directors.

The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, and individual performance and market rates. Staff performance is assessed on an annual basis through the Company's HR processes, based on range of performance criteria (financial and non-financial). The remuneration structure offered by the Company to management and staff comprised of fixed remuneration. The remuneration policy of the company is not related at all to any risk taking and actually risk taking is discouraged.

Formal performance appraisals take place annually to evaluate the performance of each employee. For the table below key management personnel is considered anyone who is senior management and member of staff whose actions have a material impact on the risk profile on the investment firm.

**Remuneration analysis split by Senior Management and key management personnel**

| 2021 | Executive/Non Executive Directors | Key Management personnel |
|---|---|---|
| **Fixed reward** | EUR 148,300 | EUR 364,700 |
| **Variable reward** | EUR NIL | EUR NIL |
| **Total** | **EUR 148,300** | **EUR 364,700** |
| **Number of beneficiaries** | 4 | 9 |

For the selection of the members of the management body, the Company pursues the target of having a professionally experienced, balanced, and top-integrity management team.

The members need to have higher education, necessary professional qualifications, advanced financial knowledge in the areas of financial markets, accounting and financial reporting, have appropriate skills, knowledge and diverse financial experience to perform their duties.

The Company's Board of Directors comprises of professionally qualified members, with sufficient financial experience and understanding of financial markets, their professional expertise includes accounting and auditing, IT, financial management and other areas. The Company recognizes the benefits of having a management team with diverse backgrounds, financial specialization, knowledge, skills and expertise. Diversity of the Board contributes to higher quality management decisions.

The Company offers no variable remuneration or any payout in instruments, as all remuneration is fixed. All remuneration is fixed so the ration of variable remuneration to fixed remuneration is 0%.
The variable components the Company can use are broken down below:

| Components of Variable Remuneration | Amount in Euro |
|---|---|
| Cash | 0 |
| Shares | 0 |
| Share-linked instruments | 0 |
| Deferred | 0 |
| Severance payments | 0 |
| Vesting payments | 0 |

The company does not benefit from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034.

## VII. Diversity policy

The Company is committed to promoting diversity in the composition of its Board of Directors and recognizes that its human capital is the most valuable asset. Diversity is one of the criteria taken into consideration when selecting a Board member so that the Company has a balanced and effective Board.

## VIII. Investment policy

The company has a value of on and off-balance sheet assets which are less than EUR 100 million over the four-year period immediately preceding the given financial year. Since this is point (a) of the criteria referred to in Article 32(4) of Directive (EU) 2019/2034, the Company does not need to disclose any information regarding investment policy as described in Article 52 of the Regulation (EU) 2019/2033 of the European parliament and of the council.

## IX. Environmental, social and governance risks

The company has a value of on and off-balance sheet assets which are less than EUR 100 million over the four-year period immediately preceding the given financial year. Since this is point (a) of the criteria referred to in Article 32(4) of Directive (EU) 2019/2034, the Company does not need to disclose any information regarding environmental, social and governance risk, including physical risks and transition risks, as defined in Article 35 of Directive (EU) 2019/2034.